2004
ANNUAL REPORT

Workplace Safety & Insurance Board

WSIB ONTARIO CSPAAT

Focus on youth

Our vision:

The elimination of all workplace injuries and illnesses

Ontario's Workplace Safety and Insurance Board (WSIB) plays a key role in the province's occupational health and safety system. The WSIB administers no-fault workplace insurance for employers and their workers and is committed to the prevention of workplace injuries and illnesses. The WSIB provides disability benefits, monitors the quality of health care, and assists in early and safe return to work for workers who are injured on the job or contract an occupational disease.

The WSIB envisions a future when injuries and illnesses have been eliminated from all Ontario workplaces.

Workplace safety and insurance will always be an important consideration for every worker and employer in Ontario. But we see a future when all Ontarians can go to work secure in the knowledge that every possible measure has been put in place to ensure their safety.

The WSIB is working together with its partners to build a future for our children in which workplace injuries and illnesses are a thing of the past.

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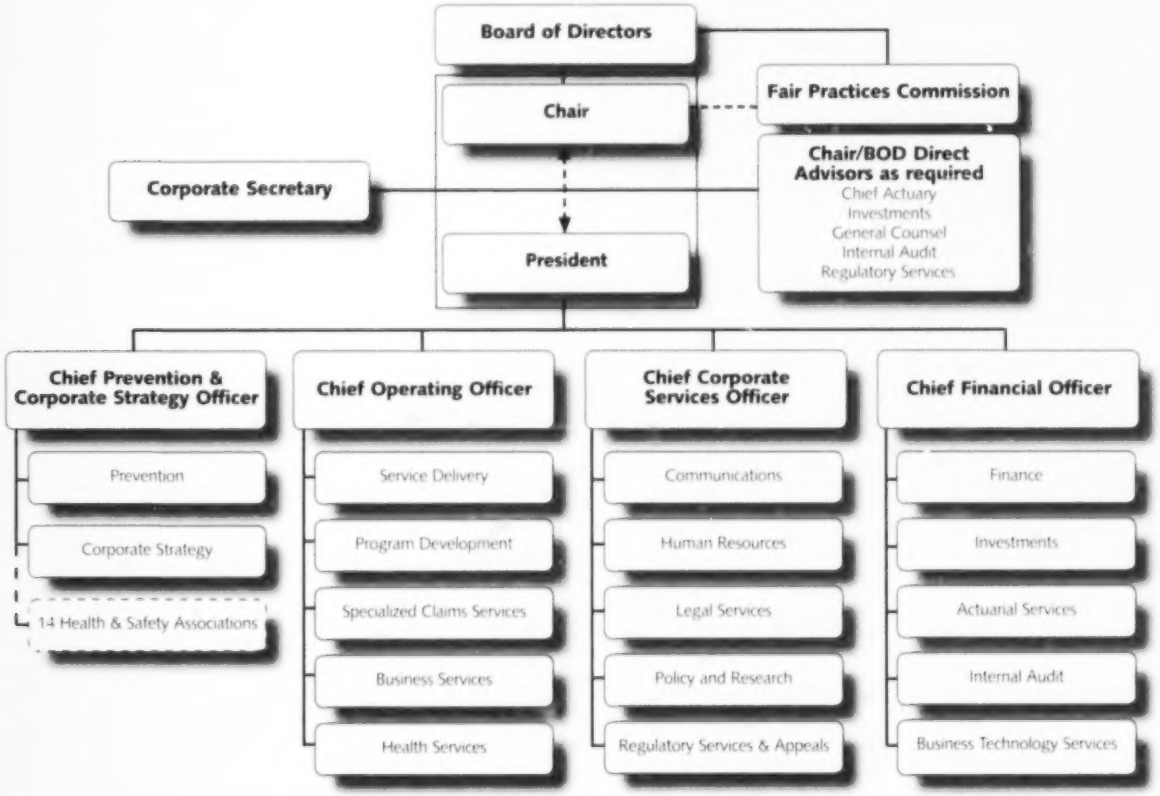
Young workers are found in all kinds of Ontario workplaces, from major utilities to ski schools.

About the WSIB

The WSIB helps workers deal with the consequences of workplace injuries and illnesses – providing insurance benefits and helping them recover and return to work. The WSIB is committed to the prevention of workplace injuries and illnesses, playing a key role in Ontario's occupational health and safety system. The WSIB:

- Administers no-fault workplace insurance for employers and their workers
- Provides benefits for injured and ill workers, and benefits for dependants of workers who have died as a result of a workplace injury or illness
- Monitors the quality of health care
- Assists in early and safe return to work.

The WSIB administers the *Workplace Safety and Insurance Act* and the *Workers' Compensation Act.*



WSIB offices

The WSIB is an organization of 4,411* people. It has a network of offices across Ontario – in Guelph, Hamilton, Kingston, Kitchener, London, North Bay, Ottawa, Sault Ste. Marie, St. Catharines, Sudbury, Thunder Bay, Timmins, Toronto and Windsor.

* As at December 31, 2004

Message from the Chair

Great strides are being made in young worker safety in Ontario. Statistics indicate that the number of young workers injured or killed on the job is declining. While this is positive news, the death or injury of even a single worker is one too many. The WSIB's vision is to eliminate all workplace injuries and illnesses. Anything less is unacceptable.

Results from our sixth annual public awareness campaign in 2004, directed at young workers under the age of 25, support this downward trend. It is clear from the hundreds of young people surveyed across the province that our prevention messages are not only being heard but that young workers' attitudes and behaviours regarding occupational health and safety are changing in a positive way.

While these statistics are encouraging, there is still a lot more work to be done to make Ontario workplaces safe for the youth of our province and all workers. As you'll read in this report, the WSIB continues to partner with a number of organizations such as the Ministry of Labour, Ministry of Education, Ministry of Health and Long-Term Care and health and safety associations on a variety of prevention initiatives.

Supporting and funding research that identifies effective prevention strategies, programs, and practices is another important way the WSIB strives to make Ontario workplaces safer and healthier. A good example of this is the *Solutions for Workplace Change Conference* we hosted in November that highlighted the exciting and innovative research conducted through our *Research Advisory Council* (RAC). Internationally recognized researchers from a variety of universities across Ontario gathered with employers, injured workers, health and safety association representatives, WSIB senior leaders and other organizations. They met to learn how our research is providing better evidence to drive better decision-making about health and safety in the workplace.

As the first-ever RAC chair, our thanks go to *Dr. Robert Norman*, whose term formally expired at the end of November. I know that his replacement, *Dr. Jean-Yves Savoie*, will continue the same kind of commitment that led to many innovative solutions to workplace safety issues under Dr. Norman's strong leadership.

Another critical initiative is the work we started in October on **road safety**. An alliance of representatives from the *WSIB*, the *Ministry of Labour*, *Ministry of Transportation*, the *Insurance Bureau of Canada*, and the *Transportation Health and Safety Association* brought together a variety of experts from across North America to discuss ways of raising awareness about the risks of work-related driving, as well as tactics to make our roads safer and reduce motor vehicle incidents.

In 2004, we also began working together as system partners with the *Canada Revenue Agency* (CRA) in launching a joint registration campaign to ensure all required employers are registered with our two organizations. Through the sharing of information, employers who are registered with one organization, but not the other, are being contacted and asked to register with both the CRA (for the remittance of

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Message from the Chair (cont'd)

payroll deductions) and the WSIB (for the remittance of WSIB premiums). This initiative will help level the playing field for Ontario employers and ensure that all injured workers receive the benefits to which they are entitled.

Another way we are leveling the playing field is through our partnership with the *Ministry of Labour* and Ontario's *Health and Safety Associations* to **reduce workplace injury rates by 20 per cent by 2008**. By focusing more resources on high-risk firms, we will ensure that the companies with the poorest health and safety records meet their responsibilities.

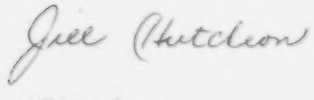
All these initiatives are being conducted within an enhanced governance structure at the WSIB. A third-party audit of our administrative and financial activities commissioned by the provincial government provided a number of recommendations in this regard.

In the fall we welcomed four new members to our Board of Directors: *Loretta Henderson*, *Marlene McGrath*, *Jim O'Neil* and *Mark Smith*. Together with the current members, *Patrick Dillon*, *Chris Griffin*, and *Dorothy Pringle*, they bring a depth of skill and experience to the table that will be invaluable in helping move the organization forward.

The WSIB will also build on its successes by including the input and advice of employers, workers, healthcare professionals and health and safety partners as the organization makes decisions on such things as **health care**, **return to work** and **prevention** initiatives. Our commitment to **transparency** and **openness** is reflected in a series of **information sessions** we will be holding with employer, worker and other stakeholder groups in the first quarter of 2005.

Of course, none of our accomplishments could be realized without the dedication and hard work of our employees, which is being recognized by employers and workers. Results from our 2004 *Ipsos Reid survey* show that there has been continued improvement on several fronts dealing with service to employers and workers. Overall satisfaction with the WSIB is up among injured workers. And employer satisfaction in many service levels has also improved overall.

All of our staff continue to pursue new and innovative ways to improve service to injured workers and employers, and to reach our goal of eliminating all injuries and illnesses in the workplaces of Ontario. Their ongoing commitment is greatly appreciated.



Jill Hutcheon
President and Interim Chair

The WSIB Board of Directors

A new Board of Directors convened on November 3, 2004. A diverse range of skills and backgrounds are represented, from a professional firefighter to an executive director and general counsel with 3M–to a CAW national secretary. From left to right are: **Patrick Dillon, Jim O'Neil, Dorothy Pringle, Jill Hutcheon, Marlene McGrath, Chris Griffin** and **Mark Smith** (not shown: **Loretta Henderson**).

Patrick Dillon *Member*
(July 17, 1996 - July 16, 2007)
Business manager, Provincial Building and Construction Trades Council of Ontario

Chris Griffin *Member*
(July 8, 1998 - July 7, 2006)
Fire captain and qualified director of training, with more than 28 years of experience

Loretta Henderson *Member*
(October 14, 2004 - October 13, 2007)
Former vice-chair of the Workplace Safety and Insurance Appeals Tribunal

Jill Hutcheon *Interim Chair, WSIB*
(March 11, 2004 - until new Chair appointed)
President of the WSIB, from October 14, 2004 until January 23, 2006

Marlene McGrath *Member*
(October 14, 2004 - October 13, 2007)
Executive director, Corporate Services and general counsel, 3M Canada Co.

Jim O'Neil *Member*
(October 14, 2004 - October 13, 2007)
National secretary treasurer, Canadian Autoworkers (CAW - Canada)

Dorothy Pringle *Member*
(April 19, 2000 - April 18, 2005)
Professor of nursing, University of Toronto, and senior fellow, Massey College; former dean, University of Toronto

Mark Smith *Member*
(October 14, 2004 - October 13, 2007)
Chair of Kensington Capital Corp.

Committees of the Board of Directors

The **Audit and Finance Committee** advises on financial and other reporting practices and internal controls.

The **Health and Safety Committee** advises on workplace health and safety policies, performance objectives, and measurement criteria.

The **Human Resources and Compensation Committee** advises on the health and safety of WSIB employees and the human resources function.

The **Governance and Policy Committee** advises on governance and policy matters.

The **Investment Committee** provides counsel on investment policy, monitors investment returns, and reviews the performance of investment managers and their compliance with applicable laws and regulations and their respective mandates.

Young Worker Awareness: *Getting the message across*

The leaders of tomorrow are the young workers of today. Making safety an integral part of young workers' lives is the single most important thing we can do to make Ontario workplaces safer.

There is growing evidence that awareness about health and safety among young workers is starting to take hold. Between 2000 and 2003, lost-time injuries among workers aged 15 to 24 decreased by 21 per cent. Fatalities among young workers dropped by 37.5 per cent.

WSIB Account Manager **William Cunningham** (right) discusses prevention initiatives for young workers with **Kathy Wall** (left), while youth are busy trimming roses in the background at a greenhouse near Sarnia. Like many account managers, William spends a large portion of his time on the road visiting employers, working out of the Agriculture Sector office in Guelph. He makes more than two hundred site visits a year. These visits are an important part of stakeholder relations and a key part of building worker (and young worker) safety programs across the province.

Since the WSIB started its youth-focused campaign six years ago, young people have become increasingly more comfortable with reporting workplace safety issues.

Through partnerships with the Ministry of Labour, Ministry of Education, health and safety associations and other organizations throughout the province, the WSIB continues to work towards sustaining these improvements and building on them. Some of the initiatives and personal stories in the following pages are examples of how our contribution to these partnerships is helping to ingrain our safety message in young workers.

Focusing on young workers is just one of the ways the WSIB is working to make Ontario's workplaces safer. The WSIB is committed to preventing workplace injuries and illnesses, and plays a key role in the province's occupational health and safety system.

Five years after his son's tragic death, Rob Ellis keeps safety message alive

It's February 11, 1999, and 18-year-old **David Ellis** is working alone cleaning an industrial dough mixer at an Oakville bakery. There is no safety bar, no supervision, and little training. David reaches in to clean out dough and the mixer turns on — dragging him in, and taking away one man's eldest son.

David's dad Rob misses his son every day. It was only David's second day on the job when this lack of training and supervision led to a workplace fatality that could have been prevented.

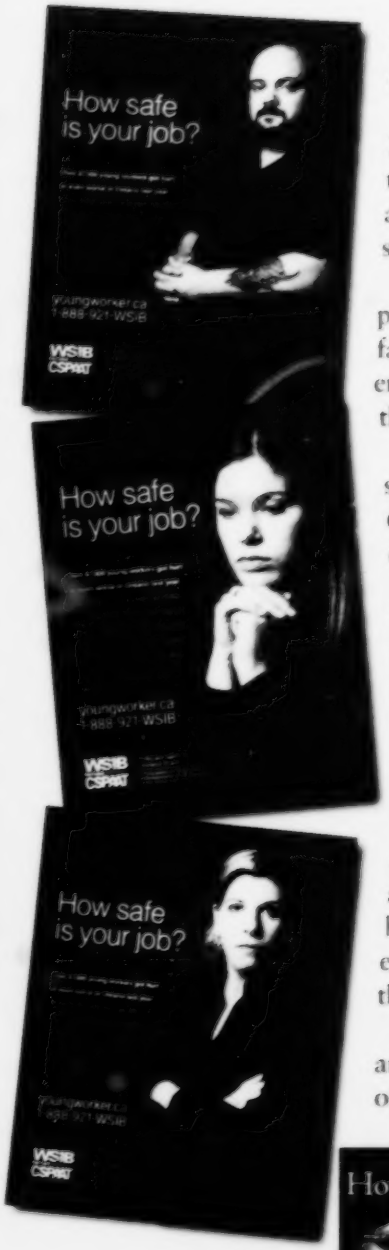
Since that fateful February day, Rob has focused his efforts on educating other young workers, parents, and employers throughout Canada about the importance of workplace safety. A former small-business owner, Rob sold his company shortly after David's death, and started the non-profit association, *Our Youth At Work*. The goal of this association is to build bridges of knowledge in the workplace.

The model begins by speaking to adults as employees of a corporation. Adults are then encouraged to be champions of workplace safety both at work and at home. Corporate executives accompany Rob to a local college, high school or elementary school and participate as champions directly involved with the future leaders of our country. A special emphasis is always centred on asking about O.T. — orientation and training — before work begins.

In 2004 alone, Rob spoke to 100,000 parents and students face-to-face through approximately 150 speaking engagements at high schools, universities and colleges. He was also featured as part of the WSIB's *Parental Awareness Safety Campaign* targeted specifically at other fathers and mothers to educate them to ask the right questions when talking to their children about their jobs.

Getting a call that your child has been seriously injured or killed in a workplace accident is a nightmare that no parent should have to face. While this nightmare is Rob's reality, he has taken this tragedy and turned it into his life's mission — retelling David's story over and over again, with the hope that no other family will have to face what Rob and his family did.

Rob Ellis's son **David** was killed by a bread mixer on his second day of work. Here, Rob speaks to co-op students at Lincoln M. Alexander Secondary School in Brampton – one of hundreds of engagements every year, which often move young audiences to tears. He's sometimes joined by executives from nearby companies who also believe that safety is a priority, adding local impact to his presentations.



The WSIB's *Social Awareness* **campaigns** in 2004 hit home with young workers, employers, parents, and the general public.

In addition to its general Social Awareness campaign aimed at Ontarians aged 25 to 54, the WSIB launched its first awareness initiative geared specifically towards **parents of young workers**. For five weeks, the WSIB got its message out about workplace safety, and rights and responsibilities to parents by asking: "How safe are your kids at work?"

The campaign included hard-hitting radio and print advertisements featuring parents talking about the effect the work-related death of their child had on their families. Parents told their stories in a direct and personal way, emphasizing the emotional and human dimensions of workplace safety, while raising awareness of the importance of promoting safe work practices.

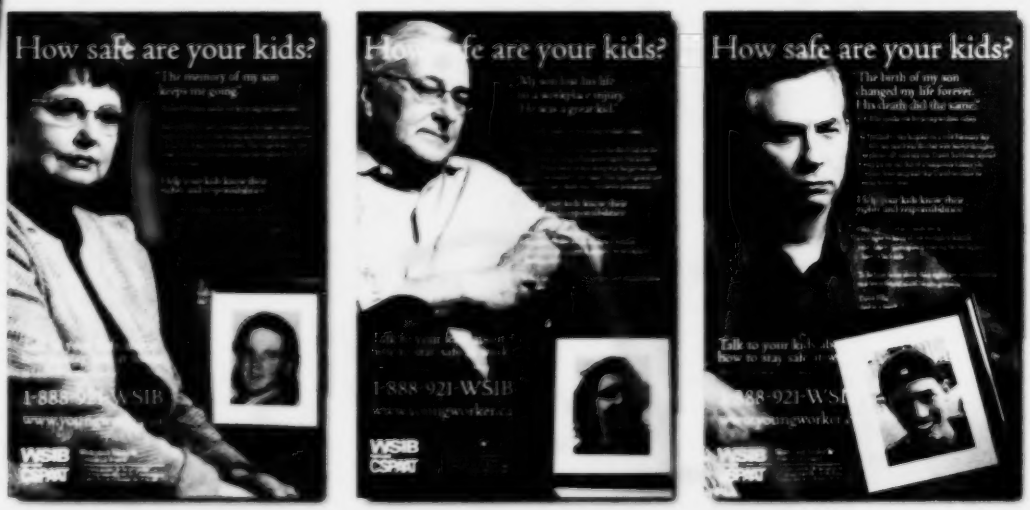
Results from the campaign were encouraging. Seventy-eight per cent of parents surveyed reported awareness of one or more elements of the campaign. In addition, 67 per cent of parents took the next step and discussed workplace safety with their children before they started a new job.

In its campaign aimed primarily at young workers under the age of 25, the WSIB also saw positive results. The campaign, which included radio, transit, print, and outdoor advertising, resulted in a positive shift in young workers' attitudes and behaviours around the importance of occupational health and safety.

One of the most encouraging results of the campaign was that 71 per cent of youth said they believe that workplace injuries and illnesses are unacceptable and preventable.

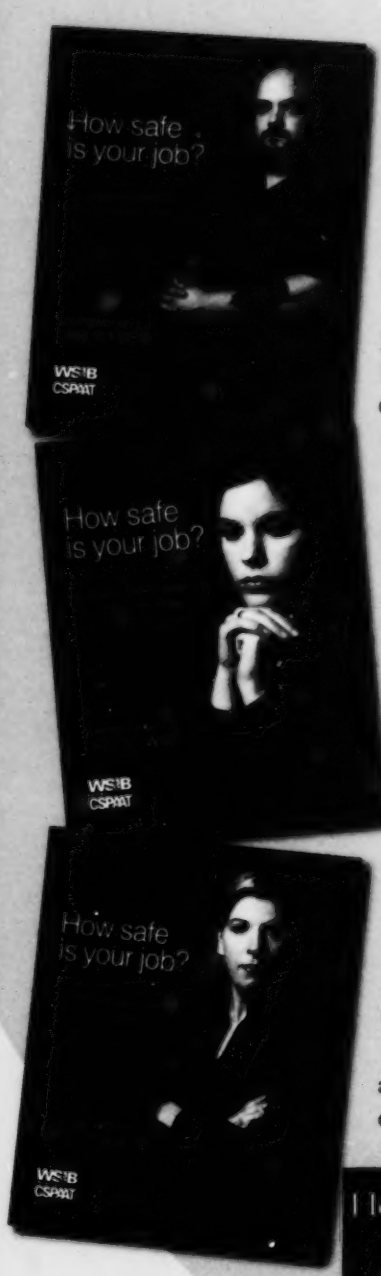
The parental and youth campaigns promoted the *Young Worker* website address: www.youngworker.ca, along with a toll-free number: 1-888-921-WSIB, as sources to obtain additional information or resources. The Web site contains health and safety information for parents, young workers, educators, and employers, including a page that outlines "seven things you'd better know" to stay safe in the workplace.

Through its Prevention and Operations divisions, the WSIB continues to develop and implement other effective strategies aimed at accomplishing our ultimate goal of eliminating all workplace injuries and illness.



Evaluations of WSIB *Social Awareness* campaigns indicate that the messaging is effective. 2004 campaigns included those aimed at young workers (above), as well as at parents (right).

Social Awareness campaigns hit home



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Health and Safety 101

In 2004, the WSIB won national and international awards for *Health and Safety 101*, an innovative computer e-learning program for young workers.

Health and Safety 101 provides young workers with basic health and safety information on workplace rights and responsibilities, hazards, and staying safe. In addition to teaching young workers about workplace safety, the program also prepares them for the Passport to Safety Challenge, in which young workers can earn a certificate to show employers they have a basic knowledge of health and safety (see Passport to Safety article on next page). The WSIB is working with other provinces such as Nova Scotia and Manitoba that want to use this product.

The young worker e-learning program is available on the Health and Safety 101 Web site at www.hs101.ca. This site also contains a resource booklet that can be downloaded and links to important workplace health and safety information.

Health and Safety 101 is another example of how the WSIB is implementing innovative solutions that are helping to make workplaces safer and healthier for workers and employers in Ontario.

Health & Safety 101 was developed internally at the WSIB. It uses interactive modules tailored to young audiences to teach key concepts in health and safety.

Staff from several divisions of the WSIB gather after winning one of several prestigious awards for *Health & Safety 101*, a training program aimed at youth.

Passport to Safety

Passport to Safety is a national safety awareness program designed to prepare young people to receive workplace and job-specific training. It is not a substitute for workplace training, but ensures that young people are safety-conscious and hold their new employers accountable for delivering required job and workplace safety training.

Co-op students at **Manitouwadge High School** in Northern Ontario show off their *Passport to Safety* certificates they won for having the highest participation rate in the province. They were led by Yvonne MacNeill (not shown), who was motivated by WSIB presentations and the memory of a student killed at a local pulp mill.

In 2004, Passport to Safety issued 80,083 memberships, of which 52,364 were sponsored by the WSIB.

The WSIB has supported the Passport to Safety program since its launch in 2003. The initiative began as a pilot in Peterborough, Ontario, and was started nationally by **Paul Kells**, who lost his 19-year-old son **Sean** in a workplace explosion, and vowed to help make sure others do not suffer the same tragedy. Additional information on Passport to Safety can be obtained at www.passporttosafety.com.

On a broader scale, supporting Passport to Safety demonstrates how the WSIB is working with health and safety partners across the province on prevention initiatives that not only benefit young workers but all Ontario workers.

Hockey players pause for a group photo after the **First Annual Sean Kells Memorial Hockey Night** – organized by Sean's friends and held on November 20, 2004, on the 10th anniversary of his death in an industrial explosion. All proceeds went to the Safe Communities Foundation, established by Sean's family in 1996. At centre are (l to r) Sean's father Paul Kells, sister Robin and mother Judi. Inset: Sean Kells.

The following is Sarah Goodhope's advice to young workers about workplace safety based on her experiences. The 26-year-old is currently employed with Passport to Safety *as a client service co-ordinator. Sarah is also the Ontario representative on the cross-Canada Young Worker Advisory Committee and sits on the Ontario Young Worker Health and Safety Advisory Panel. She volunteers as a Young Worker Awareness Program presenter with the Industrial Accident Prevention Association — making presentations to at-risk youth in the Hamilton area. Previously, Sarah worked with youth at the YMCA of Hamilton/Burlington on the Career Cruiser, a mobile career employment resource centre.*

Many disabled youth are doubly challenged when searching for work – having fewer jobs open to them, as well as not knowing the right questions to ask about safety. *SafeAbility* is a program funded by the WSIB and jointly developed with agencies assisting the disabled to provide knowledge and teach questions for potential employment situations. **Navin Ramoutar**, a *SafeAbility* participant, is shown here talking about his experiences.

My advice to youth on workplace safety

As a young teenager, I focused on getting a job that would give me my first taste of independence. The job that I found through a friend was working in a kitchen. I received no safety training at all from my employer. I also hadn't had much information on the subject in high school, except for a WHMIS unit in science class (and science class was the furthest thing from my mind when I left school at exactly 3:15 p.m. to make it for my 3:30 p.m. shift). Unfortunately, my first "real" job was also the job that provided me with my first (and only) workplace injury. Amazingly, while it was serious enough to send me to the hospital, it didn't make a real impact on me until years later.

Luckily, the next few jobs I had were for larger, more responsible organizations. I worked for government, a chemical company (where I received the best safety training of my life), and eventually my university. As I progressed through my teens and into my 20s, I picked up workplace safety education piece by piece from these employers.

After graduating from university, I started working as a youth employment counsellor. It was only at this point that I became aware of the staggering number of young workers who are injured every day at work. Suddenly, it was my job to talk to my clients about safety in the workplace and their rights and responsibilities. This was something that I struggled with every day — convincing people in desperate need for work to support their children, pay their rent, and provide basic necessities of life that, in addition to finding a job that pays more than minimum wage, they also needed to consider safety on the job. I'm not sure that I was always successful in doing this, but I did make sure that at the very least my clients had the benefit of the knowledge that I didn't have in my teens — that they have a right to safety training and the right to refuse unsafe work.

Sarah Goodhope, in her advice to youth, tells young people to find out about safety before they start their jobs, and to understand their responsibilities. Here **Adnan Zaffino** gets some important instruction from **Tony Duarte** about the operation of meat-wrapping equipment.

My advice to young people today is this: Find out as much as you can about safety before you enter the workplace; it's just as important as learning how to create a great resumé. If you're learning about health and safety in school, pay attention! It could be the most important class you ever take. If you're older and have already started your job or career, make sure, for yourself, that you understand your responsibilities with respect to safety in the workplace, as well as your employer's obligations. A great place to start is by taking the online *Passport to Safety* test.

Start a safety dialogue with your employer right now, so when issues come up, you're comfortable talking about them.

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Sarah Goodhope, in her advice to youth, tells young people to find out about safety before they start their jobs, and to understand their responsibilities. Here **Adnan Zaffino** gets some important instruction from **Tony Duarte** about the operation of meat-wrapping equipment.

My advice to young people today is this: Find out as much as you can about safety before you enter the workplace; it's just as important as learning how to create a great resumé. If you're learning about health and safety in school, pay attention! It could be the most important class you ever take. If you're older and have already started your job or career, make sure, for yourself, that you understand your responsibilities with respect to safety in the workplace, as well as your employer's obligations. A great place to start is by taking the online *Passport to Safety* test.

Start a safety dialogue with your employer right now, so when issues come up, you're comfortable talking about them.

August 23, 2002, is a date **Michelle Isaacs** will never forget. What began as a normal Friday evening — waiting for her fiancé **Mike Barrasso** to return from work — quickly turned into the WSIB employee's worst nightmare. The engaged couple were poised to get married in 2005 and were filled with hopes and dreams of a future life together.

At 6:13 p.m., these hopes vanished when her fiancé's uncle rushed into the kitchen at the Barrasso's home, crying uncontrollably. Michelle went outside to find a police officer in the garage talking to her future in-laws. She was told that there had been an accident at work and her fiancé was dead. In that split second, her life changed forever.

Mike was a 22-year-old electrical apprentice who was sent off to work alone on a fluorescent light fixture. He was told that the power was off, but it wasn't. He was electrocuted and died on the way to the hospital.

Michelle's fiancé was one of 14 workers under the age of 24 killed at an Ontario workplace in 2002. While Michelle's dreams were shattered more than two years ago, the 24-year-old has found a way through this tragedy to use her story to help prevent this type of loss from happening to other families.

By telling her story to other young workers, she hopes she can prevent others from having to go through the pain and grief that she has endured. In 2004, Michelle was featured telling her story as part of the WSIB's sixth annual summer *Youth Awareness* campaign. She stresses that it's important that young workers know their rights and that they need to make health and safety a focus.

Michelle misses her fiancé's voice every day. Nothing can bring Mike back, but she feels that if his tragic tale can inspire others to ask the right questions to prevent future injuries and fatalities, his death was not in vain.

Michelle Isaacs is a microfiche file clerk with the WSIB, but also has a busy schedule speaking at workplaces about a personal experience: In 2002, her fiancé, an electrician, was killed fixing a fluorescent light. Here, she speaks to Toronto Hydro employees at a quarterly team safety meeting.

Inside an ore-crushing mill at Onaping, near Sudbury, co-op student Ashley Smyth takes air quality readings, part of checking many sites for environmental quality. She has had thorough orientation and safety briefings since starting. Behind, from L to R are Jamie Beauchamp (shift supervisor), Claire Walker (Falconbridge, training), Jaims assistant) and, Catherine Anzil (WSIB mining team adjudicator).

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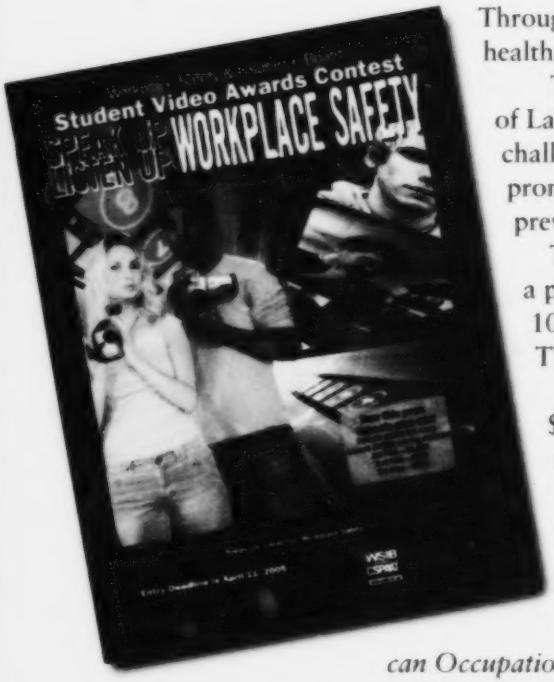
Student Video Awards contest



This poster was sent to most high schools in Ontario, part of a package to attract entries for the increasingly popular WSIB *Student Video Awards* contest.

Through its annual *Student Video Awards* contest, the WSIB is getting its health and safety message out to young workers.

The contest, which is a partnership between the WSIB, the Ministry of Labour and the Ministry of Education, is now in its fourth year. It challenges students across Ontario to think about workplace safety and promotes their understanding of workplace rights and responsibilities to prevent injuries and fatalities on the job.

To participate, students create and submit a video based on a particular workplace safety theme. The videos are no longer than 10 minutes and can be produced in any style, including documentary, TV commercial, music video, news report, drama etc.

The WSIB offers three cash prizes for the best submissions: $1,000, $750, and $500. Each school receives a certificate of recognition naming its participating students. In addition, the WSIB provides matching funds so that each high school receives the same amount as its winning students.

In 2004, the entries were so good the judges decided to award four prizes to schools in Kanata, Owen Sound, Barrie and Douglas, Ont. The presentations were made during the WSIB's *North American Occupational Safety and Health* (NAOSH) week activities.

The videos are used as part of the WSIB's prevention initiatives to promote health and safety. In addition to being used by employers and various organizations, they are shown at such events as *Take Our Kids to Work Day* and *Day of Mourning*. All the winning videos can be viewed on the WSIB Web site under the "Prevention Events" section.

A scene from the first-place student video "A Lot to Lose", by Jakub Racek of Kanata (Matt Racek shown). The submission tells the story of a young person having a flashback to when he was playing soccer prior to being injured at work.

Live Safe! Work Smart!

New resource for teachers of students with special learning needs launched in 2004

The WSIB, along with the Ministry of Education and the Ministry of Labour, came to the conclusion six years ago that there was an effective way to reach young workers through a new program they developed called *Live Safe! Work Smart!* Live Safe! Work Smart! is a set of resources custom-designed to meet the health and safety-related learning expectations of high-school students. The resources, which are imbedded in Ontario's school curriculum, are for Grades 9 to 12, and for co-operative education students.

In 2004, the WSIB's Prevention Division, in collaboration with the Ministry of Labour and the Ministry of Education, identified that students with special learning needs require a slightly different format than the previously published Live Safe! Work Smart! resource books. To meet this need, a new aid tailored specifically to teachers of students with special learning needs was developed. The resource book was designed to ensure that students who may be blind, deaf or have a learning disability get the same safety training as other students. Complex concepts are presented in a user-friendly and easy-to-understand format. The resource includes lesson notes, suggested learning games, and other activities that teachers can use to deliver the health and safety message to this specific audience. In creating the guide, feedback was received from a group of Ontario teachers who work with students with special learning needs.

The theme throughout the workbook is "Stop and Ask" or "GO. Be Safe." These two principles are designed to help students with disabilities make wiser decisions at work.

Living and working safely is a life skill, and teachers have the power to influence young minds by teaching them this valuable skill. Live Safe! Work Smart! is just one more way the WSIB, in collaboration with its health and safety system partners, is reaching our future workers to help ensure that there will be a day in the future when there are no workplace injuries and illnesses in Ontario.

The retail sector employs increasing numbers of young workers. As with other sectors, employers with proper health and safety training and good overall supervision have far fewer injuries for young workers and overall. Programs such as *Live Safe! Work Smart!* help teachers prepare students for their roles in the workplace.

Skills Canada – Ontario

The annual *Technological Skills Competition* held in Waterloo is one of the many events that the **Prevention Division** is involved in. Students take part in competitions to test their knowledge of safety and workplace hazard assessment, along with other employment-related events.

The WSIB helps promote workplace health and safety to Ontario youth, educators, parents, and employers through **Skills Canada – Ontario**. Skills Canada – Ontario is a not-for-profit organization that develops programs and initiatives aimed at encouraging young Ontarians to consider the skilled trades and technologies as viable, first-choice career options.

Each year the organization coordinates the *Ontario Technological Skills Competition* (OTSC), a three-day event that brings students together from across the province to showcase their talents and test themselves against industry standards in the skilled trades and technologies. The WSIB participated in the event in 2004.

The WSIB volunteered to implement the first-ever *Worksite Safety* contest offered at the OTSC. Secondary-level students took part competing in a theory exam, presentation and a workplace hazard investigation. Three mock work areas – a warehouse, a meeting room and a chemical storage room – were created, with a variety of hazards displayed. The competitors were judged through an evaluation of their skills in workplace health and safety.

The *Career Showcase* allowed students to see the relevant link between skills and jobs, to expand their thinking about the variety of career options within the skilled trades. The event was designed to test the students' skills at hands-on exhibits and to collect information for post-secondary education and apprenticeship opportunities.

The WSIB's main focus at the *Career Showcase* was to educate young people about their rights and responsibilities, and to promote occupational health and safety messages to youth, employers, teachers, and parents in Ontario.

The Grade 7 and 8 *Elementary Workshop* helped students learn about hazards in the workplace. The WSIB ran six workshops through which students gained an understanding that hazards exist in all workplaces and that they should ask questions and know their rights and responsibilities.

Young Worker Awareness program

Last year, more than 90,000 youth participated in a health and safety awareness program available to Ontario high schools.

The *Young Worker Awareness* program was created to give students information they need to protect their health and safety on the job. Available to any high school in Ontario, the program has two components – a general assembly presentation and a classroom instruction segment. Both the general assembly and classroom components emphasize student interaction and knowledge transfer.

Under the program, trained instructors, including WSIB staff, visit Ontario high schools to deliver the workplace health and safety message through video and other training materials. Students receive a resource booklet and other information. There is no charge to the student or school for the program.

The *Young Worker Awareness* program is offered by the Industrial Accident Prevention Association, the Ontario Service Safety Alliance and the Workers Health and Safety Centre, all organizations funded by the WSIB.

The program Web site – www.youngworker.ca – contains health and safety information for young workers, their parents, teachers, principals, employers, and others.

The WSIB's involvement in the *Young Worker Awareness* program demonstrates how partnering with organizations in Ontario's health and safety system can help spread the critical message of prevention to all workers and employers in the province.

Council of Leaders makes prevention breakthroughs

Imagine a country in which our young people remain safe and healthy at work and are able to return home safe and healthy at the end of the day. That's the vision of the **Council of Leaders**. Its mission is to "galvanize the key players in prevention to bring the message of occupational health and safety to young workers, parents, employers, workers, teachers, and to all Canadians."

The Council of Leaders in Prevention Breakthroughs is a cross-Canada organization made up of prevention leaders from across the country, representing governments, occupational health and safety organizations, and youth committees.

Its objectives are to facilitate education, analysis, and self-reliance, promote awareness, support best practices, and engage research. The council supports and champions innovations and breakthrough strategies from coast to coast. To date, the council has adopted three initiatives: *Passport to Safety* (see article, page 12), *Threads of Life*, and a *Cross-Canada Awareness Campaign*.

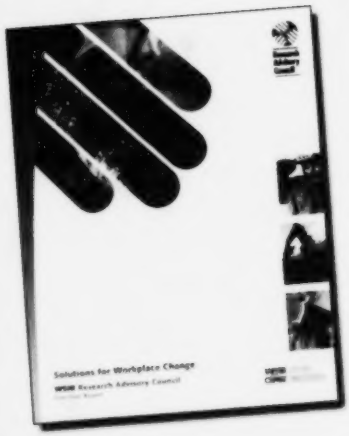
Threads of Life

This is a Canadian not-for-profit organization providing family support to those affected by a workplace tragedy. Canadian family members and friends living with the outcome of a workplace tragedy are behind the development of this unique initiative. Representatives from corporate, labour and public-sector organizations are voluntarily working together on an advisory committee in support of strategic and organizational planning. This group is united in their belief that injuries in the workplace are completely preventable.

Threads of Life provides families with peer-support assistance and referral while promoting public awareness and accountability for workplace health and safety. Families have identified that this helps fill a gap in our country's social, health, and safety systems. The organization is supported by a tapestry of volunteers from across the country.

Cross-Canada Awareness Campaign

In 2004, free cross-Canada air time was given by **MuchMusic** to *Passport to Safety* to broadcast a public service announcement it produced on health and safety. The announcement ran on MuchMusic for four weeks, reaching an estimated weekly audience of 6.4 million between the ages of 12 and 34 across the country.



In 2004, the WSIB published a five-year reasearch report for the first time. It profiles some of the major grants, out of the dozens awarded every year. The program has become a major initiative and the publication was very well received by the research community.

WSIB-funded research continues to make a difference

Research plays a valuable role in improving the lives of Ontario's residents. Over the past six years, the WSIB, through its **Research Advisory Council** (RAC), has formed solid foundations for a sustainable applied research grants program that has engaged researchers throughout Ontario and produced cutting-edge results.

In 2004, the WSIB Board of Directors approved funding for 20 research projects under the 2004 *Solutions for Workplace Change* research grants competition. The main goal of Solutions for Workplace Change is to provide sound, research-based knowledge that will help Ontario workplaces become safer and healthier.

Solutions for Workplace Change conference

In mid-November, the WSIB hosted a one-day conference called *Solutions for Workplace Change* that highlighted the exciting and innovative research that the WSIB funds. The conference was attended by more than 250 people, including workers, employers, researchers, and WSIB staff. The successful event promoted interaction among many different people, and spread vital information. Throughout the day, new solutions were proposed on how best to get the completed research into the hands of those who can most benefit from its findings.

New RAC chair appointed

Dr. Jean-Yves Savoie – who is internationally known in the field of occupational health and safety – replaced **Dr. Robert Norman,** whose term formally expired at the end of November. This appointment is effective until the end of 2006. Dr. Savoie has served on the RAC board since January 2004. For many years he was director general of the Institut de recherche Robert-Sauvé en santé et en sécurité du travail (IRSST). He also serves on a number of national research granting bodies, including Chair of the Advisory Council of the Population and Public Health Institute for the Canadian Institutes of Health Research.

As chair of the RAC, Dr. Savoie will build on the RAC's many successes and move the WSIB research program into new and innovative directions. He will continue his ongoing focus on defining research directions in line with the WSIB's and its partners' real needs.

Centres of Research Expertise mature

As announced in last year's annual report, 2004 saw the WSIB launch two new centres of research expertise: The Centre of Research Expertise in the Prevention of Work-Related Musculoskeletal Disorders and Disabilities (CRE-PREMUS) and the Centre of Research Expertise in Occupational Disease (CRE-OD).

The objectives of the centres of research expertise are to:

- Assist the WSIB in achieving research program purposes, objectives, and network goals.
- Increase research capacity in occupational health and safety (OH&S) in Ontario by producing highly qualified people at diploma, undergraduate, and graduate levels for the future and by attracting established researchers to centre activities.
- Help develop coordinated, coherent, province-wide programs of world-class OH&S research within the centre and via interactions with other centres in the network and the network chair.
- Build relationships with stakeholders and, together with these stakeholders, develop research projects and experimental (proof of principle) research transfer, exchange, and utilization vehicles.
- Help improve research-based knowledge transfer, exchange, and utilization, and promote development of a culture among stakeholders of using research to inform and evaluate interventions, including policy, intended to reduce work-related injury, disease, and disability.

CRE-PREMUS is located within the faculty of applied health sciences at the University of Waterloo. Sixteen researchers from eight universities are pooling their diverse expertise to generate new knowledge, implement and disseminate research, develop interventions, and evaluate workplace changes that aim to reduce the burden and severity of musculoskeletal disorders, also known as repetitive strain injuries (RSI), cumulative trauma disorders (CTD), or musculoskeletal injuries (MSI). In December, the centre held an informative one-day workshop to increase knowledge and to examine the effectiveness of job rotation in preventing musculoskeletal injuries.

CRE-OD focuses on the prevention and treatment of occupational diseases such as noise-induced hearing loss and allergic reactions in the workplace. **Dr. Linn Holness** is the director of the centre, which is being administered through the University of Toronto and St. Michael's Hospital.

Occupational diseases remain a significant issue in the workplace. Although we still see traditional occupational diseases (such as occupational asthma), new ones, such as severe acute respiratory syndrome (SARS), are being identified. The number of claims submitted to the WSIB for these diseases is increasing. This is where WSIB-funded research can help make a difference to identify and find ways to reduce the hazards that lead to workplace disease. The centre hopes to increase the number of researchers active in this field through mentoring programs and training opportunities for MSc and PhD students.

The Reseach Advisory Council invites projects to study better safety practices. One of the dozens of successful projects in 2004 was the **automatic rebar tying machine**, which decreases forceful hand exertion, repetitive hand motion and improves ergonomics.

Institute for Work & Health

The **Institute for Work & Health** (the "Institute") is an independent, not-for-profit organization whose mission is to conduct and share research with workers, labour, employers, clinicians, and policy-makers to promote, protect, and improve the health of working people. The Institute has been providing research and evidence-based practical tools since 1990. It operates with the support of the WSIB.

2004 accomplishments

There is a strong interest among employers, insurers, and healthcare providers in Ontario to understand the elements of effective *return to work* strategies. At the invitation of the WSIB, Institute scientist **Dr. Renée-Louise Franche** and her team set out to find out what strategies work best and under what conditions. The researchers conducted a systematic review of the return to work literature published since 1990 and developed a summary with recommendations for successful return to work strategies.

Research has already shown that younger workers are more vulnerable to work injuries compared with adults. But crucial information about the potential causes and effects is lacking. Under the leadership of **Dr. Curtis Breslin**, the Institute continues to develop a strong research focus that will help the WSIB, employers, and other injury prevention partners in understanding and dealing with particular risks faced by young and new workers.

In 2004, **Dr. Emile Tompa** completed a systematic review of the effectiveness of occupational health and safety enforcement and experience rating. This work found strong evidence that when orders and fines are imposed on a firm as the result of an inspection, the frequency and severity of injury claims are reduced. Representatives of ministries of labour across Canada reported that this review has proved valuable in current policy development.

In March 2004, the WSIB funded the first year of a four-year pilot project at the Institute to conduct systematic reviews of the effectiveness of interventions to prevent workplace injury, illness, and disability. The institute looks forward to sharing the results of this work in 2005 and beyond.

The sustained support provided by the WSIB to the Institute for Work & Health and the *Solutions for Workplace Change* program overseen by the *Research Advisory Council* continues to strengthen research capacity in Ontario. The Institute is an active collaborator with the two centres of research expertise established in 2004, and they are committed to working together to strengthen research and knowledge transfer in Ontario.

Co-op student Ashley Smyth takes water quality readings at a water well near mines outside Sudbury. She is being checked by the Falconbridge training/claims assistant Claire Walker, and WSIB mining team adjudicator Catherine Anzil (L).

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Lawrence Medas, an account manager with the WSIB, listens in on a safety briefing from **Melanie Randell** to young ski-lift staff at *Snow Valley* near Barrie. Diligence in developing procedures, manuals and follow up reinforce the importance of prevention to new staff, and build a culture of health and safety.

Management's Discussion & Analysis

Management's discussion and analysis (MD&A) is a narrative explanation of the WSIB's financial condition and results of operations for the year ended December 31, 2004, compared with the year ended December 31, 2003. The MD&A should be read together with the financial statements and the accompanying notes for the same period.

Forward-looking statements contained in this MD&A represent management's expectations based on information currently available. Because forward-looking statements involve risks and uncertainties, actual results may differ from the future expectations.

WSIB's operations

The Workplace Safety and Insurance Board (WSIB) oversees Ontario's workplace safety education and training system and administers Ontario's no-fault workplace insurance for employers and their workers, by:

- Being a catalyst for prevention and promoting health and safety in Ontario's workplaces
- Providing disability benefits
- Monitoring the quality and timeliness of health care, and
- Assisting in early and safe return to work for workers injured on the job.

The WSIB is funded entirely by employer premiums and receives no funding from the Ontario provincial government. In turn, the WSIB provides funding for the health and safety associations, Occupational Health Clinics for Ontario Workers, the Workers Health and Safety Centre, Workplace Safety and Insurance Appeals Tribunal, and the Offices of the Worker and Employer Adviser. Also, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*.

The WSIB's vision is the elimination of all workplace injuries and illnesses. There are five fundamentals on which the WSIB focuses its efforts for the benefit of its stakeholders: Health and safety, customer satisfaction, return to work, financial sustainability and building on success and continuous improvement. The WSIB's initiatives and activities are aligned with these five fundamentals.

Accounting change for 2004

From 1992 until 2003, the WSIB, along with the other Canadian workers' compensation boards (WCBs), used an industry-specific method of reporting investment income and assets. Equities and real estate were carried at cost, adjusted towards fair value, using a five-year moving average market method. Realized gains and losses were deferred and amortized over a four-year period. This smoothing of investment gains and losses lessened the impact of market volatility.

In 2004, the Canadian Institute of Chartered Accountants (CICA) introduced two major changes. The first of these changes relates to the application of generally accepted accounting principles (GAAP) and is in effect for 2004. As a result of this change, the WSIB is no longer using the "smoothed" approach to account for investment gains and losses. Starting in 2004, the WSIB is accounting for investments at fair value.

Fair value accounting for investments will be mandatory in 2007, however, the CICA has approved early adoption for 2004. The WSIB, along with other Canadian WCBs, has

adopted fair value accounting for investments starting in 2004. Fair value accounting results in more open and transparent financial reporting because the full impact of market gains and losses are reported in the financial statements in the year they arise.

For 2004, the change to fair value accounting increases the value of WSIB's investments and investment revenue, resulting in a reduction of the unfunded liability of $1,573 million. Under fair value accounting, the WSIB's investment values and investment income and the reported unfunded liability will experience increased volatility directly related to volatility of the investment markets. The WSIB is committed to implementing a method to dampen the impact of market volatility on premium rate-setting.

Funding strategy

Slightly more than 200,000 employers are registered as Schedule 1 employers with the WSIB. Schedule 1 relates to services and industries in which employers are insured through "collective liability" and are required to pay premiums into a fund referred to as the WSIB Insurance Fund.

The long-term funding strategy for the WSIB's collective liability insurance plan requires that the full cost of all claims in the system be provided for by 2014. Although the funding strategy is long-term in nature, annual reviews are performed to ensure premium rates are set for the following year at appropriate levels.

There are a variety of issues that face the workers' compensation industry in North America. Both economic and non-economic factors can add significant cost pressures to the total cost of the system at any time. Economic factors include investment returns, inflation rates, wage increases, income tax rates, and healthcare costs. Examples of non-economic factors include the frequency and duration of claims, mortality rates, the timeliness and degree of recovery from injuries, and demographic characteristics.

Given the significant pressures facing the workplace safety and insurance system in Ontario, the WSIB has launched a number of initiatives to address these pressures. They include:

- Healthcare review
- Funding framework review
- Return to Work and labour market re-entry policy development
- Canada Revenue Agency (CRA)/WSIB Joint Registration Initiative
- Administrative cost containment.

The WSIB has also launched a series of information sessions with stakeholders to share information and to obtain their inputs and suggestions on these issues.

The WSIB has about 700 registered Schedule 2 employers. These employers are referred to as "self-insured." A Schedule 2 employer pays for its own injured workers' benefit costs and the related administrative expenses rather than sharing these costs with other employers in similar businesses. A separate plan is in place to provide assurances that Schedule 2 employers are able to fund the cost of future benefit payments to their injured workers.

Investment strategy

The WSIB's investment strategy is based on a long-term view. However, in the short term, returns on the fund will vary according to market volatility. The WSIB's investment portfolio is diversified among asset classes – fixed-income securities, equities, and real estate – in order to maximize returns at acceptable risks. This asset mix takes into account the nature of the WSIB's financial obligations and funding goals.

An Investment Committee, reporting to the Board of Directors, oversees the WSIB's investments. The Statement of Investment Policy and Procedures (SIPP) that governs the Insurance Fund for collective liability employers is reviewed annually. The SIPP defines the policies and principles employed in the use of the Insurance Fund's assets, and sets an appropriate asset mix based on WSIB objectives. The SIPP also defines the governance structure and procedures used in the ongoing management and oversight of the Insurance Fund's assets and investment managers. Management of the Insurance Fund's investments has been delegated to a selected team of independent external investment management organizations.

Unfunded liability

The WSIB has an unfunded liability, which means that insufficient assets are available today to satisfy the lifetime costs of all of the claims now in the system. As of December 31, 2004, the unfunded liability decreased by a net amount of $715 million to $6,420 million compared with $7,135 million as of December 31, 2003. At the end of 2004, the funding ratio (the ratio of assets to liabilities) stood at 68.0 per cent. At December 31, 2003, the funding ratio was 62.4 per cent.

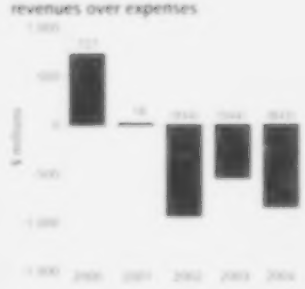
The decrease in the unfunded liability reflects the implementation of the new accounting policy, which values investments at fair value and is offset, to a large extent, by an increase to the benefit liability for an assumption change in the valuation of the loss of earnings benefits. The total impact of the new accounting policy on the unfunded liability as of December 31, 2004, is a reduction of the unfunded liability of $1,573 million, however, a significant change in the assumption for loss of earnings claims increased the unfunded liability by $465 million.

Unfunded liability

Excess (deficiency) of revenue over expenses

2004 was another difficult year as expenses exceeded revenue. The primary factor driving this deficiency was a $950 million increase in benefit liability in 2004, reflecting largely a higher proportion of fully indexed claims, increased claim durations and higher healthcare costs. Even though the WSIB experienced improvements in total premium and investment revenue compared to 2003, these were not sufficient to cover benefit costs, which included the increase in benefit liability.

Excess (deficiency) of revenues over expenses



Premium revenue

Premium revenue for 2004 was $3,141 million, which was an increase of $212 million over 2003 premium revenue of $2,929 million.

Premium revenue for years ended December 31

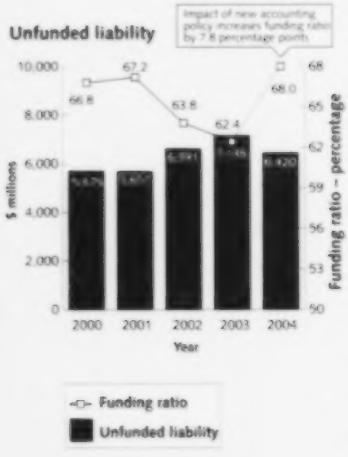
($ millions)	2004	2003	Increase/(decrease)	
Schedule 1 (collective liability)				
Gross premiums	$1,914	$1,941	$(27)	(1)%
Experience rating net refunds	(115)	(169)	54	(32)
Interest, penalties less bad debts	45	23	22	96
Schedule 1 current premiums	1,844	1,795	49	3
Schedule 2 (self-insurers) reimbursements	280	273	7	3
Premiums for the year	2,124	2,068	56	3
Premiums for unfunded liability	1,017	861	156	18
Total premium revenue	$3,141	$2,929	$212	7%

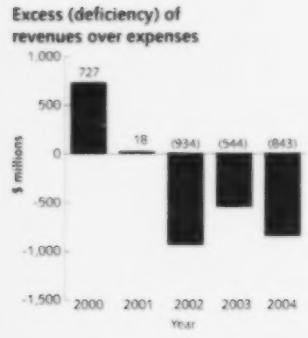
An Investment Committee, reporting to the Board of Directors, oversees the WSIB's investments. The Statement of Investment Policy and Procedures (SIPP) that governs the Insurance Fund for collective liability employers is reviewed annually. The SIPP defines the policies and principles employed in the use of the Insurance Fund's assets, and sets an appropriate asset mix based on WSIB objectives. The SIPP also defines the governance structure and procedures used in the ongoing management and oversight of the Insurance Fund's assets and investment managers. Management of the Insurance Fund's investments has been delegated to a selected team of independent external investment management organizations.

Unfunded liability

The WSIB has an unfunded liability, which means that insufficient assets are available today to satisfy the lifetime costs of all of the claims now in the system. As of December 31, 2004, the unfunded liability decreased by a net amount of $715 million to $6,420 million compared with $7,135 million as of December 31, 2003. At the end of 2004, the funding ratio (the ratio of assets to liabilities) stood at 68.0 per cent. At December 31, 2003, the funding ratio was 62.4 per cent.

The decrease in the unfunded liability reflects the implementation of the new accounting policy, which values investments at fair value and is offset, to a large extent, by an increase to the benefit liability for an assumption change in the valuation of the loss of earnings benefits. The total impact of the new accounting policy on the unfunded liability as of December 31, 2004, is a reduction of the unfunded liability of $1,573 million, however, a significant change in the assumption for loss of earnings claims increased the unfunded liability by $465 million.





Excess (deficiency) of revenue over expenses

2004 was another difficult year as expenses exceeded revenue. The primary factor driving this deficiency was a $950 million increase in benefit liability in 2004, reflecting largely a higher proportion of fully indexed claims, increased claim durations and higher healthcare costs. Even though the WSIB experienced improvements in total premium and investment revenue compared to 2003, these were not sufficient to cover benefit costs, which included the increase in benefit liability.

Premium revenue

Premium revenue for 2004 was $3,141 million, which was an increase of $212 million over 2003 premium revenue of $2,929 million.

Premium revenue for years ended December 31

($ millions)	2004	2003	Increase/(decrease)	
Schedule 1 (collective liability)				
Gross premiums	$1,914	$1,941	$(27)	(1)%
Experience rating net refunds	(115)	(169)	54	(32)
Interest, penalties less bad debts	45	23	22	96
Schedule 1 current premiums	**1,844**	**1,795**	**49**	3
Schedule 2 (self-insurers) reimbursements	280	273	7	3
Premiums for the year	**2,124**	**2,068**	**56**	3
Premiums for unfunded liability	1,017	861	156	18
Total premium revenue	**$3,141**	**$2,929**	**$212**	**7%**

Schedule 1 (collective liability)

Premium rates, employers' insurable earnings, and experience rating refunds/surcharges determine the amount of premium revenue received from Schedule 1 employers. Premium rates are applied to employers' insured payroll. The average premium rate for 2004 remained unchanged at $2.19 for every $100 of insurable earnings. The decision to keep the 2004 average premium rate at its 2003 level reflected stakeholders' input and the recognition of economic factors facing employers in Ontario. The average premium rate is again unchanged for 2005 at $2.19.

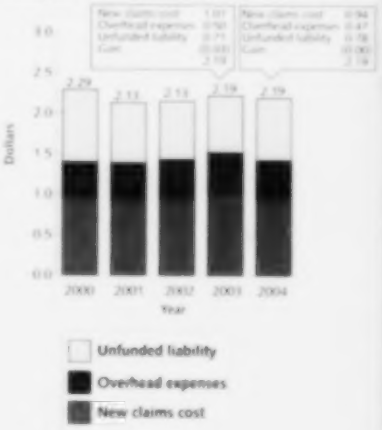
The WSIB faces a number of financial pressures, such as rising healthcare costs, and higher benefit costs. Various initiatives are planned throughout 2005, including extensive discussions with stakeholders, to explore potential solutions to financial pressures. The WSIB believes that a premium rate increase will be required in 2006.

The increase in premium revenue for 2004 can be attributed to growth in insured payroll. This growth results from both higher levels of employment as well as increased earnings. Total insured payroll for 2004 was $130,398 million, an increase of $4,760 million from the 2003 insured payroll of $125,638 million. Although most sectors experienced an increase in payroll, the sectors that contributed most to the growth were health care, services, manufacturing, and construction. The Ontario economy is expected to continue to grow in 2005, and insured payroll is expected to increase to approximately $138,245 million. This will be driven by increases in employment, average wages, and average weekly hours worked.

The WSIB's experience rating programs are key motivators to encourage injury prevention and return to work. The programs adjust premiums with refunds or surcharges. The adjustment is based on a comparison between the employer's own injury experience and the injury experience of the rate group to which the employer belongs.

Total premium revenue for 2004 of $3,141 million is after experience rating net refunds to employers of $115 million. In 2003, employers received experience rating net refunds of $169 million. Net refunds represent the difference between refunds and surcharges paid to or received from employers as incentives to improve workplace health and safety performance. The net refunds are a result of the following prevention incentive programs: *New Experimental Experience Rating* (NEER), *Council Amended Draft 7* (CAD-7), *Safe Communities Incentive* program and Safety Groups programs. For 2005, the experience rating net refund is expected to decrease again. This reduction will be largely achieved through stakeholder discussions in 2005 focusing on modifying the methodology used to calculate the experience rating refunds and surcharges to eliminate non-performance-based systemic biases and to increase surcharges for poor performance.

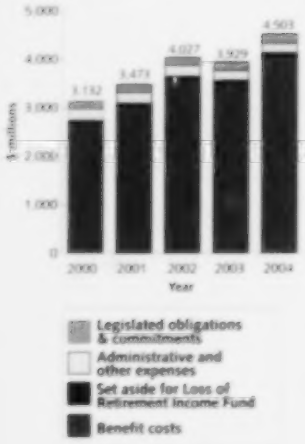
Components of premium rate



Schedule 2 (self-insurance)

Revenue from Schedule 2 employers in 2004 was $280 million, $7 million higher than 2003. This is due to higher reimbursements of benefit costs from Schedule 2 employers.

Total expenses



Expenses

The WSIB's expenses are made up of benefit costs, administrative and other expenses, and legislated obligations and commitments. In 2004, total expenses were $4,503 million, an increase of $574 million or 14.6 per cent from $3,929 million in 2003. This is mainly the result of an increase in benefit costs.

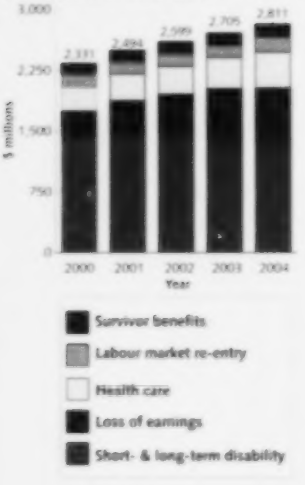
Benefit costs

Benefit costs, as reported on the Statement of Operations, are made up of "benefit costs paid" and the "change in benefit liabilities." Benefit costs paid represent payments for injured and ill workers during the year, regardless of the injury year. These benefits include loss of earnings benefits for wage loss, labour market re-entry benefits when return to pre-injury employment is not possible, healthcare benefits, short- and long-term disability benefits provided under pre-1998 legislation for wage loss, and survivor benefits.

The change in benefit liabilities is an adjustment to the benefit liabilities to reflect the estimated future cost of all existing claims. This adjustment also captures changes in liabilities for prior years' claims based on experience to date.

Benefit costs increased by $560 million in 2004 to $4,051 million from $3,491 million in 2003. This increase was mainly the result of a higher benefit liability reflecting new data and experience for loss of earnings, which indicate increased claims durations and a higher proportion of workers receiving full indexing.

Total benefit costs paid
(before claim administration costs)



Benefit costs paid

Benefit costs paid for workers in 2004 were $2,811 million, an increase of $106 million (3.9 per cent) compared with 2003 benefit payments of $2,705 million. Benefit payments for loss of earnings, labour market re-entry, health care and survivor benefits all increased in 2004, while short- and long-term disability payments decreased.

Loss of earnings (LOE) benefit costs paid in 2004 were $678 million, compared with 2003 payments of $627 million. This $51 million (8.1 per cent) increase is the result of benefit indexation, an increase in average durations of claims and growth in claim volume as one more accident year was added to the inventory of claims for accidents that occurred more than 12 months ago.

Labour market re-entry (LMR) benefit costs paid in 2004 were $194 million, up $37 million (23.6 per cent) from 2003 payments of $157 million. Starting in May of 2004, LMR benefit payments include LOE payments for injured workers in LMR programs, which were previously captured under LOE benefits.

Short- and long-term disability benefit costs paid decreased by $46 million or 3.3 per cent in 2004. This reflects the natural reductions and closures of older claims.

Healthcare benefit costs paid in 2004 increased by $61 million to $447 million from 2003 payments of $386 million. Healthcare benefits paid or provided by the WSIB include a full range of medical, hospital, and treatment services. Reimbursements to the Ministry of Health and Long-Term Care for physicians' services – as well as payments for drugs, hearing aids, medical equipment and devices, personal care allowances, and independent living allowances – are also classified as healthcare benefits.

The increase in healthcare costs paid in 2004 reflects a higher average health care cost per claim. This is due to the emergence of new higher-cost drug therapies

and technological advances, which typically result in more expensive medical devices. They also reflect new initiatives undertaken by the WSIB that are geared towards providing injured workers with improved and more efficient healthcare service, as well as a $15 million retroactive payment to the Ministry of Health and Long-Term Care for physicians' services provided in previous years.

Healthcare costs are expected to increase in 2005 due to many factors. There is a trend towards increased use of healthcare, particularly during the early years after injury, and service provider fees will increase compared with last year. As well, initiatives that were introduced in 2004, such as the hospital in-patient care fee, Form 8 fee changes and new programs of care, will be in effect for all of 2005, driving healthcare costs higher. Given the significance of healthcare to our business and the associated rising costs, a review of our healthcare delivery model has been initiated to review all aspects of our current healthcare business model and make appropriate recommendations.

Benefit costs

($ millions)	2004	2003	Increase/(decrease)	
Benefit costs paid:				
Loss of earnings	$678	$627	$51	8.1%
Labour market re-entry	194	157	37	23.6
Short- and long-term disability	1,342	1,388	(46)	(3.3)
Health care	447	386	61	15.8
Survivor	150	147	3	2.0
Total benefit costs paid	**2,811**	**2,705**	**106**	**3.9**
Claims administration costs	290	291	(1)	(0.3)
Net increase in benefit liabilities	950	495	455	91.9
Total benefit costs	**$4,051**	**$3,491**	**$560**	**16.0%**

Benefit liabilities

The WSIB's benefit liabilities are actuarially determined provisions for future benefit costs related to claims that occurred on or before December 31, 2004. As of December 31, 2004, the benefit liabilities were $18,410 million, a $950 million increase from the December 31, 2003, value of $17,460 million.

Two significant changes in actuarial assumptions that contributed to the change in benefit liabilities are:

- A change in the assumption for loss of earnings benefits, which recognized higher proportions of injured workers receiving 100 per cent wage loss, as well as claims persisting longer than previously assumed. This resulted in a $465 million increase in the benefit liabilities.
- The assumption for future claims administration expense changed from 5.0 per cent to 4.6 per cent of benefit liabilities. The result of this assumption change was a $70 million decrease in the benefit liabilities.

In addition, benefit liabilities increased because the growth of new claims outpaced the natural reductions of benefit liabilities and closures of older claims. Changes in claim inventories and policy changes, which accounted for $555 million of the increase in benefit liabilities, include the following items:

- A $448 million increase related to net growth in loss of earnings claims inventory,

- A $209 million increase in healthcare liabilities due to increased awards and utilization,
- A $53 million increase relating to net growth in survivor pensions claims inventory,
- A $109 million provision relating to policy changes with respect to reduced CPP offsets and extension of education benefits to dependents,
- A $224 million decrease due to natural reductions and closures of pensions and supplemental payments to pre-1990 injured workers,
- An $89 million decrease due to natural reductions and closures on future economic loss benefits and their supplemental payments, temporary compensation benefits, and rehabilitation benefits, and
- A $49 million increase due to net growth in the future claims administration expense liability.

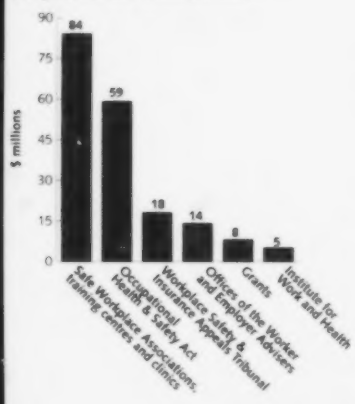
Administrative and other expenses

Administrative and other expenses in 2004 were $494 million. This was a decrease of $7 million from 2003 expenses of $501 million. On the Statement of Operations, administrative and other expenses are shown as $204 million for 2004 ($210 million for 2003). This amount is after a reduction of $290 million ($291 million in 2003), which represents claims administration costs and is included in benefit costs.

A number of factors contributed to the $7 million decrease in administrative and other expenses, including:

- New systems development and integration decreased by $17 million (65.4 per cent). This is due to the substantial completion of Phase 2 of the Integrated Financial System (IFS) in 2003 and the completion of work on other smaller projects. In addition, the operating costs of IFS and other projects, included as development costs in 2003, were included as administrative costs in the applicable divisions in 2004.
- Supplies and services increased by $5 million (23.8 per cent) as software license fees for the IFS were paid under this category, but were paid as new systems development in 2003. In addition, 2004 saw the implementation of a WSIB-wide Windows upgrade.
- Salaries and benefits increased by $4 million (1.2 per cent) in 2004 primarily due to salary increases related to WSIB's collective bargaining agreement.

Breakdown of legislated obligations and commitments



In line with the financial sustainability fundamental, WSIB will remain committed to containing controllable administrative costs for 2005. There are initiatives under way to manage costs, including strategic sourcing, and operational reviews to ensure that the WSIB operates effectively and efficiently without affecting service to injured workers and employers.

Legislative obligations and commitments

Legislative obligations and commitments increased by $16 million in 2004 to $188 million, from $172 million in 2003. Seven million dollars of this increase is for additional health and safety inspectors hired by the Ministry of Labour to increase strategic enforcement activity, with the objective of reducing lost-time injury rates by 20 per cent over the next four years. The increased enforcement activities will

continue into 2005, with additional safety inspectors being hired to ensure safer workplaces. As well, the WSIB paid an additional $9 million in 2004 to the Ministry of Labour to cover the full cost of delivering the *Ontario Health and Safety Act* program. In the past, the WSIB paid 84 per cent of the cost of this program.

Investments

The WSIB's investments are held to meet future benefit payments to injured workers. Most of the WSIB's investments are held in the Insurance Fund, a reserve for injured workers who have collective liability coverage. The Insurance Fund is diversified among three primary asset classes – fixed-income securities, equities, and real estate. Certain WSIB real estate investments are held by consolidated subsidiary companies. These subsidiary companies are: 000534688 BCC Ltd., MCC Ontario Limited, and 101 Street Properties Ltd. In 2004, investment income was $470 million – an increase of 3.1 per cent or $14 million compared with 2003, when investment income was $456 million. Improvements in investment income for 2003 and 2004 follow two difficult years in 2001 and 2002.

During 2004, the Canadian economy was impacted by significant oil price increases, persistent strengthening of the Canadian dollar, and the election of a minority government at the federal level. These events contributed significantly to the performance of the Canadian economy, which dampened in the third quarter but still outperformed the previous year, with the estimated 2004 GNP increasing almost 40 per cent more than the 2003 rate.

Although not as robust as 2003, world equity markets continued to perform in positive territory. Due to a strong fourth quarter, all major markets recorded single or double-digit returns on the year. In Canada, the S&P/TSX gained 14.5 per cent and led all North American markets as well as most international indices.

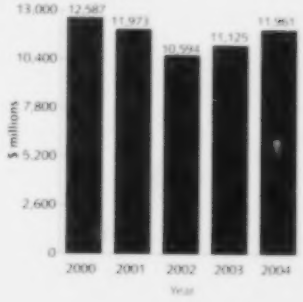
Although foreign equity markets also recorded good performance in their home currencies, the strength of the Canadian dollar – particularly against the U.S. dollar – was a negative influence to Canadian investors in foreign markets. The Canadian dollar posted yet another increase in the year after its largest-ever one-year gain against its U.S. counterpart, ending the year up almost eight per cent. On balance the Canadian dollar also improved one per cent against a basket of international currencies including the U.K. pound, the Japanese yen and the euro.

Interest rates declined fractionally on the year and, as a result, bonds recorded moderate returns, with the Scotia Capital Universe index gaining 7.2 per cent for the year. Real estate recorded returns in the 12.5 per cent range.

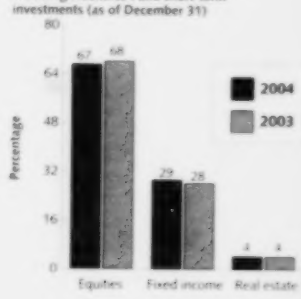
The Insurance Fund closed the year with a fair value of $11,961 million after transfers of $515 million to fund injured worker benefit payments. This closing fair value increased by $836 million from the 2003 fair value of $11,125 million.

Insurance Fund returns are based on increases in the market value of the funds after allowing for cash outflows throughout the year. The Insurance Fund recorded an 8.5 per cent return for the calendar year, modestly underperforming its 8.9 per cent benchmark. For the five-year period ending December 31, 2004, the Insurance

Fair value of investments
(as of December 31)



Actual asset mix,
including Insurance Fund short-term investments (as of December 31)



Fund earned an annualized return of 4.1 per cent, well ahead of its 0.5 per cent benchmark. Over the ten year period ending December 31, 2004, the Insurance Fund recorded an annualized return of 9.4 per cent compared with its 7.8 per cent benchmark.

In December 2004, the WSIB's Board of Directors affirmed the Insurance Fund's total equity policy allocation at 65 per cent (+/-5%). The bond and real estate policy allocations were also unchanged at 30 (+/-5%) and 5 per cent respectively.

At the start of 2005, securities markets were mixed. Canadian equities continued their strength from last year, leading world equity markets due to energy and other resources shares. U.S. equities were flat, and European and Asian stocks increased modestly. The Canadian dollar was mixed, as early weakness gave way to continued strength relative to the U.S. dollar. Historically low interest rates continued to support prevailing equity pricing.

For 2005, Asia (excluding Japan) is expected to lead world growth, followed by North America. Europe and Japan are expected to lag. Canadian growth is expected to be lower than U.S. growth however, this depends on the value of the Canadian dollar and its influence on the export sector. Expectations for returns on financial assets for 2005 are modest. Equities are expected to return in the 7 per cent to 8 per cent range, and fixed-income returns will probably be around 3 per cent. Continued economic growth is expected to generate higher inflation, which in turn could lead to higher interest rates.

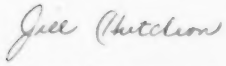
CONSOLIDATED BALANCE SHEET

As of December 31

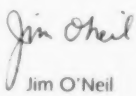
($ millions)	**2004**	**2003**
ASSETS		
Cash and cash equivalents	$154	$452
Receivables	748	653
Investments (note 3)	11,961	10,037
Loss of Retirement Income Fund (note 4)	620	527
Property, equipment and other assets (note 5)	160	178
	$13,643	**$11,847**
LIABILITIES		
Payables and accruals	$569	$546
Mortgage payable (note 6)	71	71
Loss of Retirement Income Fund (note 4)	620	527
Employee benefit plans (note 7)	393	378
Benefit liabilities (note 8)	18,410	17,460
	20,063	**18,982**
UNFUNDED LIABILITY (note 9)		
Accumulated excess of expenses over revenues	(7,735)	(7,135)
Accumulated other comprehensive income	1,315	–
	(6,420)	**(7,135)**
	$13,643	**$11,847**

Commitments and Contingencies (note 12)

On behalf of the Board of Directors



Jill Hutcheon, Interim Chair
Director



Jim O'Neil
Director

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31

($ millions)	**2004**	**2003**
GROSS REVENUE	$3,660	$3,385
CURRENT OPERATIONS		
REVENUES		
Premiums for the year	$2,124	$2,068
Investments (note 3)	470	456
Other income (note 5)	49	–
	2,643	**2,524**
EXPENSES		
Benefit costs (note 8)	4,051	3,491
Loss of Retirement Income Fund (note 4)	60	56
Administrative and other expenses (note 10)	204	210
Legislated obligations and commitments (note 11)	188	172
	4,503	**3,929**
Excess of expenses over revenues from current operations	(1,860)	(1,405)
Premiums for unfunded liability	1,017	861
EXCESS OF EXPENSES OVER REVENUES	**$(843)**	**$(544)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN UNFUNDED LIABILITY

For the years ended December 31

($ millions)	**2004**	**2003**
ACCUMULATED EXCESS OF EXPENSES OVER REVENUES		
Balance at beginning of year	$(7,135)	$(6,591)
Effect of change in accounting policy (note 2)	243	–
Excess of expenses over revenues	(843)	(544)
Balance at end of year	**(7,735)**	**(7,135)**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Effect of change in accounting policy (note 2)	845	–
Unrealized gains on investments net of amounts realized	470	–
Balance at end of year	**1,315**	**–**
UNFUNDED LIABILITY AT END OF YEAR	**$(6,420)**	**$(7,135)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

($ millions)	**2004**	**2003**
EXCESS OF EXPENSES OVER REVENUES	$(843)	$(544)
Other comprehensive income (loss):		
Unrealized net gains on available-for-sale financial assets arising during the year	606	–
Reclassification of realized gains included in income	(136)	–
Unrealized gains on investments, net of amounts realized	470	–
COMPREHENSIVE INCOME (LOSS)	**$(373)**	**$(544)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

($ millions)	**2004**	**2003**
OPERATING CASH FLOWS		
Cash received from:		
Premiums for the year	$2,058	$2,099
Premiums for unfunded liability	989	855
Investment income	382	316
	3,429	3,270
Cash paid to:		
Claimants, survivors and care providers	(2,797)	(2,700)
Loss of Retirement Income Fund	(60)	(56)
Employees and suppliers for administrative goods and services	(436)	(476)
Legislated obligations and commitments	(218)	(160)
	(3,511)	(3,392)
Net cash required by operating activities	**(82)**	**(122)**
INVESTING CASH FLOWS		
Sale of investments	17,832	17,896
Purchase of investments	(18,048)	(17,435)
Net cash provided (required) by investing activities	**(216)**	**461**
Increase (decrease) in cash and cash equivalents	**(298)**	**339**
Cash and cash equivalents, beginning of year	452	113
Cash and cash equivalents, end of year	$154	$452

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2004

1. NATURE OF OPERATIONS

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. The WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides insurance benefits to workers who sustain injuries in the course of employment or contract occupational diseases. The WSIB also provides insurance benefits in the case of workers who die due to workplace injuries or illnesses to their survivors and assists injured workers in their early and safe return to work.

Employers covered by the Workplace Safety and Insurance Act, 1997, are divided into two groups, referred to as "Schedule 1" and "Schedule 2." Schedule 1 employers are insured under a "collective liability" system and are required to contribute to the WSIB Insurance Fund. Schedule 2 employers are "self-insured" and are individually liable for the full costs of their workers' claims. The WSIB pays insurance benefits for Schedule 2 workers and is reimbursed by their employers for the costs of the claims, including administrative costs, and for the cost of the WSIB's prevention activities.

The WSIB also administers the federal *Government Employees Compensation Act*. Under an agreement with Human Resources Development Canada, the federal government is treated like a Schedule 2 employer.

Revenue is raised through premiums, which are collected from all Schedule 1 employers covered under the Workplace Safety and Insurance Act, 1997. Revenue is also earned from a diversified investment portfolio held to meet future obligations on existing claims. Schedule 2 reimbursements also contribute to WSIB revenue. The WSIB receives no government funding or assistance. The financial statements have been prepared on a "going concern" basis, as management has plans to eliminate the unfunded liability over the course of several years.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its subsidiaries. These financial statements have been prepared in accordance with generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Change in accounting policy

Effective January 1, 2004, the WSIB adopted the new CICA accounting standards on "Financial Instruments - Recognition and Measurement" (*CICA Handbook*, Section 3855) and "Comprehensive Income" (CICA Handbook, Section 1530).

Under the new standard, "Financial Instruments – Recognition and Measurement," the WSIB has, based on management's intention, designated all of its investments as *available-for-sale* except for derivatives, which are classified as *held-for-trading*.

Available-for-sale securities include securities that may be sold in response to or in anticipation of changes in interest rates, changes in foreign currency risk, changes in funding sources, or to meet liquidity needs. Available-for-sale securities are now carried at estimated fair value. Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive income until they are realized.

Held-for-trading securities, which are purchased for sale in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income as they arise.

These accounting changes are applied prospectively from January 1, 2004. Comparative amounts and disclosures have not been restated.

Under the previous accounting policy, bonds were carried at amortized cost. Realized gains and losses on the sale of bonds and coupons were deferred and amortized over either 20 years or the period to maturity of the security, whichever was the lesser. Equities and real estate were carried at cost, adjusted towards fair value, using a five-year moving average method. Realized gains and losses were deferred and amortized over a four-year period.

As a result of this change, as of January 1, 2004, the carrying value of investments was increased by $845 million to recognize the amount of unrealized gains on investments, and this amount formed the opening balance of accumulated other comprehensive income. Also as a result of this change, unamortized net gains realized on sale of investments from prior years in the amount of $243 million were recognized by reducing the accumulated excess of expenses over revenues (unfunded liability) as of January 1, 2004.

The effect of the accounting change on 2004 operating results was an increase of $15 million in investment revenue and an increase of $470 million in other comprehensive income.

As of December 31, 2004, the total impact of the accounting change is a reduction in the unfunded liability of $1,573 million.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with initial maturities up to three months.

Investments

Investments are comprised of short-term securities, bonds, equities, and real estate, and are classified as either held-for-trading or available-for-sale based on management's intention. Investments transactions are recorded on a trade date basis. The WSIB has designated all of its investments as available-for-sale except for derivatives, which are classified as held-for-trading.

Available-for-sale securities include securities that may be sold in response to or in anticipation of changes in interest rates, changes in foreign currency risk, changes in funding sources, or to meet liquidity needs. Available-for-sale securities are carried at estimated fair value. Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive income until they are realized.

Held-for-trading securities, which are purchased for sale in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income as they arise.

Fair value of financial instruments

The fair values of investments are the year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities.

Cash and cash equivalents denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the balance sheet date.

The cost of short-term securities, treasury bills, and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

The fair value of bonds and equities denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect on the balance sheet date.

The fair value of real estate is based on appraised values conducted on a cyclical basis.

Pooled-fund investments are valued at the unit values supplied by the pooled-fund administrator. These values represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. Revenues and expenses are translated at exchange rates in effect on the transaction date. Realized exchange gains and losses are included in income. Unrealized exchange gains and losses are included in other comprehensive income.

Derivative financial instruments

The WSIB is party to forward foreign exchange contracts that are designated as held-for-trading. On inception, the contract value of the receivables and payables resulting from these contracts is included in investments. The gains and losses on forward foreign exchange contracts are recognized in income in the period in which they arise.

Fair value of other financial assets and liabilities

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

Loss of Retirement Income Fund (previously Injured Workers' Retirement Fund)

The Loss of Retirement Income Fund is invested in short-term securities, bonds, equities and pooled funds. These investments are designated as available-for-sale and

carried at fair value as described above. Changes in fair value are included in investment income of the Loss of Retirement Income Fund in the year in which they occur.

Property, equipment, and other assets

Property, equipment, and other assets are recorded at cost. The cost of buildings includes development, financing, and other costs capitalized prior to the day they become fully operational. At this time, depreciation commences. Capital assets are depreciated using the straight-line method, at rates calculated to expense the cost of assets over their estimated useful lives, which are 20 years for buildings, five years for office equipment, three years for computer equipment, and lease term or ten years for leasehold improvements.

Premiums

In advance of the fiscal year, the WSIB determines the total amount of premiums to be paid by Schedule 1 employers and notifies them of their premium rates for the following year. Premium revenue is determined by applying premium rates to Schedule 1 employers' payrolls.

Premium rates include a component that is applied to reduce the unfunded liability. Schedule 2 employers are individually liable to pay all insurance benefits with respect to their workers' claims. Reimbursements for claims paid and the cost of administering the claims are included in premium revenue.

Benefit liabilities

Benefit liabilities are determined annually through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry, short- and long-term disability, health care, survivor benefits, retirement income benefits, and claim administration costs. They represent a provision for future benefit payments and the future cost of administering claims incurred on or before December 31. The provision has been determined by estimating future benefit payments in accordance with the adjudication practices in effect on December 31 and with relevant legislation.

The benefit liabilities do not include any provision for payment of Schedule 2 claims. The costs of these claims are not considered WSIB liabilities because they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases, or for injuries and illnesses that are not currently considered to be work-related.

Pension and other benefit plans

The WSIB offers a number of benefit plans, which provide pension and other post-retirement benefits to eligible staff. These plans include a statutory pension plan, a supplemental pension plan, and other post-retirement benefits plans including health, dental, and life insurance.

The WSIB funds its statutory pension and post-retirement benefit plans annually based on actuarially determined amounts required to satisfy employee benefit entitlements under current pension regulation and benefit plan policies. These pension plans provide benefits based on years of service and average earnings at retirement.

Actuarial valuations are performed annually to determine the present value of the accrued pension benefits, based on projections of the employees' compensation levels to the time of retirement. Investments held by pension funds primarily comprise equity securities, bonds and debentures. Pension fund assets are valued at fair value.

Pension benefit expense, which is included in salaries and employee benefits within administrative and other expenses (note 10), consists of the cost of employee pension benefits for the current year's service, interest cost on the liability, expected investment return on the market-related value of plan assets and the amortization of unrecognized past service costs, unrecognized net actuarial gains or losses and unrecognized transition asset or obligation. Amortization is charged over the expected average remaining service period of active employees covered by the plan.

The cumulative excess of pension fund contributions over the amount recorded as expenses is reported as a prepaid pension benefit expense in other assets. The cumulative excess of pension benefit expense over pension fund contributions is reported in the employee benefit plans' liabilities. Liabilities for other post-retirement benefits are also reported in the employee benefit plans' liabilities.

The full amount of the gain or loss from the change in obligation for workplace accident benefits is recognized in the year the gain or loss occurs.

Other defined-contribution plan costs are recognized in income for services rendered by employees during the period.

3. INVESTMENTS AND INVESTMENT REVENUE

Value of investments by category are as follows:

($ millions)	**2004**				**2003**	
	Amortized cost	Carrying value adjustments*	Unrealized amounts included in other comprehensive income	Fair value	Carrying value	Fair value
Held-for-trading:						
Foreign exchange contracts	$ –	$ –	$ (1)	$ (1)	$ –	$ –
Available-for-sale:						
Fixed income securities						
Bonds	3,233	–	149	3,382	2,320	2,829
Equities						
Domestic	1,913	200	597	2,710	1,946	2,404
Foreign – U.S.	2,288	9	106	2,403	2,180	2,324
– Global	2,494	38	416	2,948	3,153	3,108
	6,695	247	1,119	8,061	7,279	7,836
Real estate	388	32	48	468	391	412
Accrued investment income	51	–	–	51	47	48
	10,367	279	1,316	11,962	10,037	11,125
Total investments	**$10,367**	**$279**	**$1,315**	**$11,961**	**$10,037**	**$11,125**

* Carrying value adjustments recognized in excess of expenses over revenues in previous years.

Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates as compared to the Canadian dollar. From time to time, the WSIB uses foreign exchange contracts to hedge currency risk. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception. The fair value of these financial instruments would change in response to changes in the underlying variables affecting the contracts, such as changes in the foreign exchange rates of the currencies involved in the contracts.

The notional amounts in foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2004 mature in the first three months of 2005.

As of December 31, 2004, the notional value of outstanding foreign currency contracts was $301 million (2003: $1,256 million). Outstanding contracts in a favourable position had a fair value of $1 million (2003: $28 million) and those in an unfavourable position had a fair value of negative $2 million (2003: negative $3 million). Unrealized losses on pending foreign exchange contracts of $1 million were included in net income.

The fair value of the investment portfolio includes $5,313 million (2003: $5,380 million) of securities denominated in foreign currency.

Bonds by term to maturity as of December 31:

($ millions)	**2004**					**2003**
	Term to maturity					
	Up to 1 year	1 – 5 years	5 – 10 years	Over 10 years	Total	Total
Government bonds						
Carrying value	–	$1,081	$641	$675	$2,397	$1,937
Fair value	–	$1,081	$641	$675	$2,397	$2,012
Yield (%)*	–	3.3	4.2	5.0	4.0	5.4
Corporate bonds						
Carrying value	$3	$393	$312	$277	$985	$778
Fair value	$3	$393	$312	$277	$985	$817
Yield (%)*	2.5	3.6	4.6	5.6	4.5	4.8
Less: Unamortized gain					–	$395
Total						
Carrying value	**$3**	**$1,474**	**$953**	**$952**	**$3,382**	**$2,320**
Fair value	**$3**	**$1,474**	**$953**	**$952**	**$3,382**	**$2,829**
Yield (%)*	**2.5**	**3.4**	**4.3**	**5.2**	**4.2**	**5.2**

* The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows for each bond equal to its fair value as of December 31.

Revenue by category of investment is as follows:		
($ millions)	**2004**	**2003**
Short-term securities	$11	$9
Bonds	177	170
Equities and real estate	308	301
	496	**480**
Investment expenses	(26)	(24)
Net investment revenue	**$470**	**$456**

Note: Revenue from bonds includes $28 million (2003: $41 million amortized net gains) of net realized gains. Revenue from equities and real estate includes $108 million (2003: $123 million amortized net gains) of net realized gains.

Securities lending

The WSIB earns additional income by participating in a securities lending program. Securities it owns are loaned to others for a fee and are secured by high-quality collateral. The fair value of the collateral always exceeds the fair value of the securities loaned and the collateral is marked to market daily. The program is managed by a financial institution in Canada.

As of December 31, 2004, the fair value of securities on loan was $1,516 million (2003: $976 million). The collateral held with respect to these securities was $1,618 million (2003: $1,048 million).

4. LOSS OF RETIREMENT INCOME FUND (previously Injured Workers' Retirement Fund)

For injuries and illnesses that occurred prior to January 1, 1998, the WSIB sets aside funds equal to ten per cent of every payment made to injured workers.

Effective January 1, 1998, for claims incurred after December 31, 1997, for workers who have received loss of earnings benefits for 12 continuous months, the WSIB sets aside five per cent of their loss of earnings benefits for their retirement fund. Injured workers may choose to contribute a further five per cent from their loss of earnings benefits. These funds are segregated from the WSIB's investment portfolio and are invested to provide retirement income benefits for injured workers.

The carrying value of the Fund as of December 31 is as follows:		
($ millions)	**2004**	**2003**
Cash and cash equivalents	$36	$33
Bonds	137	117
Equities	152	154
Investments in pooled fund	295	223
	$620	**$527**

The underlying securities in the pooled fund include fixed-income securities valued at $78 million (2003: $71 million), equities valued at $216 million (2003: $143 million) and money market instruments valued at $1 million (2003: $9 million).

The change in net assets is as follows:		
($ millions)	**2004**	**2003**
Funds set aside under the *Act*	$60	$56
Investment income (loss)	53	52
Benefit costs paid	(20)	(15)
Increase in net assets	**93**	**93**
Net assets, beginning of year	527	434
Net assets, end of year	**$620**	**$527**

5. PROPERTY, EQUIPMENT, AND OTHER ASSETS

($ millions)	**2004**		**2003**
	Cost	Net Carrying Value	Net Carrying Value
Buildings and leasehold improvements	$192	$115	$129
Office equipment	110	2	5
Computer equipment	120	14	19
	422	**131**	**153**
Other assets	29	29	25
	$451	**$160**	**$178**

Depreciation expense in 2004 was $23 million (2003: $30 million).

On May 3, 2004, the WSIB sold its Downsview Rehabilitation Centre property, which included buildings, roads, and land. The WSIB recorded a gain on sale of $43 million, which is included in other income.

6. MORTGAGE PAYABLE

The WSIB, through its wholly owned subsidiary, 799549 Ontario Inc., is a 75 per cent participant in a co-ownership agreement for its head office building at 200 Front Street West, Toronto. To fund part of the development and construction of the building, the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building, and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually.

The fair value of the mortgage payable as of December 31, 2004, was $76 million (2003: $74 million), with a book value of $71 million (2003: $71 million). The $7 million mortgage interest expense for the year was included in occupancy costs (note 10) (2003: $7 million).

7. EMPLOYEE BENEFIT PLANS

The WSIB has several benefit plans for eligible current and retired employees. The cost of employee benefit plans is recognized in the reporting period in which employees have provided service.

Pension and other benefit plans

The WSIB has two pension plans for its employees and employees of Safe Workplace associations, the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a defined-benefit pension plan that provides for partially indexed pensions based on years of service and best five consecutive years' average earnings in the last ten years. The WSIB Employee's Supplementary Pension Plan ensures that employees of the WSIB and Safe Workplace Associations whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total earnings.

The investment activities and the administrative and accounting functions of the pension plans are administered by the WSIB. The accrued pension obligations of the plans reflect management's estimates of salary escalation, investment rate of return, mortality of members, terminations, and ages at which members will retire.

Other benefits include medical, dental, and life insurance, accrued vacation, short-term salary protection to cover periods of illness and other absences, as well as the costs of insurance benefits provided to employees who sustain injuries in the course of employment.

The measurement date for financial reporting purposes of the plan assets and the benefits obligation is as of December 31, 2004. The most recent and next actuarial valuations for funding purposes are as of December 31, 2004 and 2005, respectively.

Information about the WSIB's defined-benefit pension plans and other benefit plans in aggregate is as follows:

($ millions)	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans		Total plans	
	2004	2003	2004	2003	2004	2003	2004	2003
ACCRUED BENEFIT OBLIGATION								
Beginning of year	**$1,213.8**	**$1,042.6**	**$13.9**	**$10.9**	**$357.9**	**$316.5**	**$1,585.6**	**$1,370.0**
Current service cost	39.7	43.5	0.5	0.4	5.2	4.1	45.4	48.0
Interest cost	76.3	70.8	0.9	0.8	21.3	14.7	98.5	86.3
Benefits paid	(42.8)	(37.9)	(0.5)	(0.2)	(13.5)	(5.2)	(56.8)	(43.3)
Employee past service contributions	2.7	2.5	–	–	–	–	2.7	2.5
Employee current service contributions	15.5	3.6	0.4	0.3	–	–	15.9	3.9
Past service benefit cost	4.6	2.2	(4.7)	–	0.8	–	0.7	2.2
Actuarial (gain) loss	(7.6)	86.5	0.2	1.7	5.0	27.8	(2.4)	116.0
End of year	**1,302.2**	**1,213.8**	**10.7**	**13.9**	**376.7**	**357.9**	**1,689.6**	**1,585.6**
PLAN ASSETS								
Fair value at beginning of year	**1,196.5**	**1,056.2**	**2.0**	**1.6**	**–**	**–**	**1,198.5**	**1,057.8**
Actual return on plan assets	111.6	148.0	–	–	–	–	111.6	148.0
Employer contributions	25.9	24.1	0.3	0.3	13.5	5.2	39.7	29.6
Employee current service contributions	15.5	3.6	0.4	0.3	–	–	15.9	3.9
Employee past service contributions	2.7	2.5	–	–	–	–	2.7	2.5
Benefits paid	(42.8)	(37.9)	(0.4)	(0.2)	(13.5)	(5.2)	(56.7)	(43.3)
Fair value at end of year	**1,309.4**	**1,196.5**	**2.3**	**2.0**	**–**	**–**	**1,311.7**	**1,198.5**
FUNDED STATUS								
Funded status, plan surplus (deficit)	7.2	(17.3)	(8.4)	(11.9)	(376.7)	(357.9)	(377.9)	(387.1)
Unamortized net actuarial (gain) loss	43.1	82.4	0.2	(0.1)	25.9	(1.7)	69.2	80.6
Unamortized past service costs	18.5	15.0	(0.1)	–	2.9	26.4	21.3	41.4
Unamortized transitional obligation	(106.1)	(117.9)	–	5.0	–	–	(106.1)	(112.9)
Accrued benefit asset (liability)	**(37.3)**	**(37.8)**	**(8.3)**	**(7.0)**	**(347.9)**	**(333.2)**	**(393.5)**	**(378.0)**
Accrued benefit obligation, end of year	1,302.2	1,213.8	10.7	13.9	376.7	357.9	1,689.6	1,585.6
Fair value of plan assets, end of year	1,309.4	1,196.5	2.3	2.0	–	–	1,311.7	1,198.5
Funded status, plan surplus (deficit)	**7.2**	**(17.3)**	**(8.4)**	**(11.9)**	**(376.7)**	**(357.9)**	**(377.9)**	**(387.1)**
NET BENEFIT PLAN EXPENSE								
Current service cost	39.7	43.5	0.5	0.4	5.2	4.1	45.4	48.0
Interest cost	76.3	70.8	0.9	0.8	21.3	14.7	98.5	86.3
Expected return on plan assets	(80.6)	(79.0)	(0.1)	(0.1)	–	–	(80.7)	(79.1)
Amortization of past service costs	1.2	1.0	–	–	2.4	2.4	3.6	3.4
Amortization of transitional obligation	(11.8)	(11.8)	0.5	0.5	–	–	(11.3)	(11.3)
Amortization of net loss (gain)	0.6	–	–	(0.1)	(0.8)	4.7	(0.2)	4.6
Net benefit plan expense	**$25.4**	**$24.5**	**$1.8**	**$1.5**	**$28.1**	**$25.9**	**$55.3**	**$51.9**

($ millions)	Employees' Pension Plan				Employees' Supplementary Pension Plan	
	2004		2003		2004	2003
	$	%	$	%	$	$
Plan Assets by Major Category						
Equity securities	$841.1	64.3	$731.5	61.2	–	–
Debt securities	395.6	30.2	369.2	30.9	–	–
Real estate	33.2	2.5	30.2	2.5	–	–
Accrued investment income	5.6	0.4	5.2	0.4	–	–
Other	33.9	2.6	60.4	5.0	2.3	2.0
Total	**$1,309.4**	**100.0**	**$1,196.5**	**100.0**	**$2.3**	**$2.0**

The significant actuarial assumptions adopted as of December 31 to value the Employees' Pension Plan, the Employees' Supplementary Pension Plan and other benefit plans are as follows:

	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans	
	2004	2003	2004	2003	2004	2003
Discount rate plan expenses	6.25%	6.75%	6.25%	6.75%	6.25%	6.75%
Discount rate accrued benefit obligations	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Expected long-term rate of return on plan assets	7.0%	7.0%	3.5%	3.5%	–	–
Dental cost escalation	–	–	–	–	4.0%	4.0%
Average remaining service period (years)	13	14	13	14	13	14

Healthcare cost trend rates as of December 31		
	2004	2003
Medical Cost		
General inflation rate		
Initial rate	10.0%*	7.0%
Ultimate rate	4.0%	4.0%
Year ultimate rate reached	2011	2013
Age inflation of 2% per year of age		
Dental costs		
General inflation rate	4.0%	4.0%

* Grading down by 1% per year

8. BENEFIT LIABILITIES AND BENEFIT COSTS

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims and the expense of administering those benefits, and are discounted to present value at the assumed net investment returns shown below. Estimates of future benefit payments apply to both reported and unreported claims resulting from injuries and illnesses that occurred on or before December 31, 2004. They are based on the level and nature of entitlement, and adjudication practices in effect as of December 31, 2004. The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments depends on economic and actuarial assumptions that are based on past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions, and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

	2004	2003
Inflation rate	3.0%	3.0%
Investment rate of return	7.0%	7.0%
Rate of indexation of benefits		
Fully indexed	3.0%	3.0%
Partially indexed	0.5%	0.5%
Investment return, net of indexation		
Fully indexed	4.0%	4.0%
Partially indexed	6.5%	6.5%
Wage escalation rate	4.0%	4.0%
Health care costs escalation rate	6.5%	6.5%

Mortality estimates are based on the WSIB's injured-worker mortality experience from 1996 to 2000 adjusted for mortality improvements to 2004 and for survivors of deceased workers, the 1995-1997 Ontario Life Tables, adjusted for mortality improvements to 2004. Provisions have been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation. Long-term economic and actuarial assumptions and methods are reviewed annually on December 31, when an independent actuarial valuation is performed.

The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses is recorded as a benefit cost. Any adjustments resulting from the continual review of entitlements and experience, or from changes in legislation, assumptions, or methods, are also included as benefit costs.

The benefit liabilities include a provision of $810 million (2003: $831 million) for future costs of administering existing claims. Administrative and other expenses have been adjusted by $290 million (2003: $291 million) to reflect the amount that was charged against the provision for benefit liabilities relating to future claim administration expenses in the current year.

Sensitivity of actuarial assumptions

Benefit liabilities are calculated based on actuarial assumptions. Changes in these assumptions can cause significant changes in the benefits liabilities. This sensitivity is illustrated as follows.

The actuarial assumption most susceptible to change is the assumed investment return of seven per cent. The approximate impact of a 0.5 per cent decrease in the assumed investment return would be a $625 million increase in the benefit liabilities.

Calculation of the benefit liabilities was based on the WSIB's injured-worker mortality experience. A flat reduction of five per cent in these mortality rates would increase benefits liabilities by approximately $105 million.

A ten per cent decrease in the number of lost-time injuries in the current year would decrease benefit liabilities by approximately $140 million.

Healthcare benefit liabilities are calculated assuming a future rate of escalation of healthcare costs of 6.5 per cent per year. A 0.5 per cent change in the escalation factors used for future healthcare costs would increase benefits liabilities by approximately $85 million.

Benefit liabilities and benefit costs paid in 2004 were as follows:

($ millions)	**2004**								**2003**
		Labour market re-entry							
	Loss of earnings	**Income support**	**External providers**	**Short- & long-term disability**	**Health-care**	**Survivor benefits**	**Claim admin. costs**	**Total**	**Total**
BENEFIT LIABILITIES									
Beginning of year	$1,967	$109	$323	$10,313	$2,294	$1,623	$831	**$17,460**	**$16,965**
BENEFIT COSTS	1,592	48	155	1,115	656	216	269	**4,051**	**3,491**
BENEFIT COSTS PAID									
During the year									
Schedule 1	(609)	(68)	(119)	(1,240)	(405)	(134)	(290)	**(2,865)**	**(2,768)**
Schedule 2	(69)	(4)	(3)	(102)	(42)	(16)	–	**(236)**	**(228)**
	(678)	(72)	(122)	(1,342)	(447)	(150)	(290)	**(3,101)**	**(2,996)**
CHANGE IN BENEFIT LIABILITIES	914	(24)	33	(227)	209	66	(21)	**950**	**495**
BENEFIT LIABILITIES, **End of year**	$2,881	$85	$356	$10,086	$2,503	$1,689	$810	**$18,410**	**$17,460**

9. RECONCILIATION OF THE CHANGE IN THE UNFUNDED LIABILITY

The unfunded liability is affected by a number of factors, including an interest charge on the unfunded liability, premiums applied to reduce the unfunded liability, experience gains and losses, changes in accounting practices, policy, or legislation, and changes in actuarial assumptions for calculating benefit liabilities.

The interest charge on the unfunded liability recognizes that there are insufficient assets to cover existing liabilities, resulting in a shortfall in investment income and assets to pay future claim payments. Premiums that are collected to reduce the unfunded liability include an amount to cover this shortfall.

In addition, the difference between expected and actual experience on items such as indexation, investment returns and claims experience also gives rise to changes in the unfunded liability.

In 2004, the new standard, "Financial Instruments – Recognition and Measurement," was adopted. The impact of this accounting change is a $1,573-million reduction in the unfunded liability as of December 31, 2004.

The actuarial reconciliation of the change in the unfunded liability is as follows:

($ millions)	2004	2003
Unfunded liability, beginning of year	$7,135	$6,591
Add (deduct)		
Investment income not earned due to shortfall in invested assets	502	464
Premiums allocated to reduction of unfunded liability	(1,017)	(861)
Experience (gains)/losses resulting from:		
Indexation of benefits less than expected	(82)	(116)
Lower (higher) than expected investment returns	365	321
Prior and current years' claims experience	400	165
Changes in assumptions:		
Mortality	13	146
Non-economic loss benefits	–	64
Long-term loss of earnings	465	47
Healthcare benefits	110	271
Long-term disability	22	14
External agency rehabilitation payments	27	57
Future claim administration expense	(70)	–
Other changes	14	(28)
Effect of change in accounting policy (note 2)		
At beginning of year	(1,088)	–
Other comprehensive income	(470)	–
The effect on 2004 operating results	(15)	–
Other changes:		
Change in CPP offset policy and child survivor	109	–
Unfunded liability, end of year	**$6,420**	**$7,135**

10. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses consist of the following:		
($ millions)	**2004**	**2003**
Salaries and employee benefits	$339	$335
Equipment depreciation and maintenance	38	40
Occupancy	42	44
Communication	16	12
Supplies and services	26	21
Travel and vehicle maintenance	6	6
New systems development and integration	9	26
Other	18	17
	494	501
Claim administration costs (note 8)	(290)	(291)
	$204	**$210**

11. RELATED-PARTY TRANSACTIONS

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997* and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*. The WSIB is also required to fund the Workplace Safety and Insurance Appeals Tribunal (WSIAT), and the Offices of the Worker and Employer Advisor. These reimbursements and funding amounts are determined and approved by the Minister of Labour. The WSIB is also committed to providing funding for the Institute for Work and Health and Safe Workplace Associations, clinics and training centres.

The total amount of funding provided under these legislated obligations and commitments in 2004 was $188 million (2003: $172 million).

Investments

Included in investments are marketable fixed-income securities issued by the Ontario provincial government and related corporations valued at $325 million (2003: $262 million).

Other

In addition to legislated obligations and workplace health and safety expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations with various Ontario government-controlled ministries, agencies, and Crown corporations. Such transactions are conducted on terms and conditions similar to those that apply to transactions with unrelated parties. Account balances resulting from these transactions are not significant.

12. COMMITMENTS AND CONTINGENCIES

Operating leases

As of December 31, 2004, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately $10 million per year over the next five years, and $23 million in aggregate thereafter.

Legal actions

The WSIB is party to various claims and lawsuits, which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on WSIB expenses or financial position.

Bank line of credit

The WSIB maintains an unsecured $150 million line of credit with a commercial bank.

13. COMPARATIVE FIGURES

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Responsibility for Financial Reporting

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee, to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

Role of the actuary

With respect in the preparation of these financial statements, management prepares a valuation, including the selection of appropriate assumptions, of the WSIB's benefit liabilities as of the balance sheet date. With respect to the preparation of these financial statements, Eckler Partners Ltd. determines the valuation of the benefit liabilities and provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB as of the balance sheet date. The work to form that opinion includes an examination of the sufficiency and reliability of data, and review of the valuation process used by management. The independent actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the review of these liabilities determined by management, which are by their very nature inherently variable, the actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for new claim categories not sufficiently recognized in the claims database.

Management is responsible for the accuracy and completeness of the underlying data used in the valuation. The actuary's report outlines the scope of the review and the opinion.

Role of the external auditor

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent and objective audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the independent actuary and their report on the benefit liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit Committee to discuss audit, financial reporting, and related findings. The external auditors' report outlines the scope of their audit and their opinion on the financial statements of the WSIB.

Jill Hutcheon
Interim Chair

Malen Ng
Chief Financial Officer

March 11, 2005

Auditors' Report

To the Workplace Safety and Insurance Board,
the Minister of Labour
and the Provincial Auditor

Pursuant to the *Workplace Safety and Insurance Act* which provides that the accounts of the Workplace Safety and Insurance Board ("WSIB") shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the consolidated balance sheet of the WSIB as at December 31, 2004, and the consolidated statements of operations, changes in unfunded liability, comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of WSIB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
March 11, 2005

Consulting Actuaries' Report

Consulting actuaries' report on the valuation of the benefits liabilities of the Schedule 1 Insurance Fund of the Workplace Safety and Insurance Board of Ontario as at December 31, 2004

Eckler Partners Ltd.

We have determined the estimated present value as at December 31, 2004 of future payments for loss of earnings, labour market re-entry, short and long term disability, health care, survivor benefits, retirement income benefits and claims administration costs under Schedule 1 on account of accidents that occurred on or before that date to be $18,410 million. In accordance with the CIA / CICA Joint Policy Statement, we have made use of the audit work conducted by KPMG LLP with regards to the data upon which the calculations were based and have confirmed that they are consistent with the WSIB's financial statements. We consulted with the Chief Actuary in selecting appropriate assumptions and methods for the valuation. As in previous valuations, the present value does not include provision for future claims related to occupational disease.

The valuation was based on the provisions of the Workplace Safety and Insurance Act and on the WSIB's administrative practices in effect as of January 1, 2005. Full provision has been made for potential future increases in the covered earnings ceiling and in the level of compensation as provided under the Act by using an investment return assumption (net of indexation) of 4% per annum with respect to fully indexed benefits and 6.5% per annum with respect to partially indexed benefits.

In this valuation, there has been a change in the methodology used to value the Loss of Earnings (LOE) benefits. In previous valuations, a group valuation method was used to value the LOE benefits liabilities. In this valuation, the LOE awards have been valued explicitly on an individual basis. This change required a detailed review of the assumptions underlying the LOE benefits valuation and necessitated the development of a termination curve based on LOE persistency experience for the injury years 1998 to 2003. It was further assumed that there is a reduction in LOE persistency of 8% and 5% respectively in the 7th and 8th years to account for the completion of Labour Market Re-entry programs at these durations. In addition, the model developed for LOE assumed that the proportion of awards at 100% wage loss at claim duration 6 and beyond is 30%. These changes in methodology and assumptions resulted in an increase in liabilities.

Based on an internal study conducted by the WSIB staff, the assumption regarding future claims administration expenses has been updated to 4.6% of the benefits liability from 5% in the previous valuation.

Except as described above, the methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. A complete description of the methods and assumptions employed in the valuation will be provided in a detailed report to the WSIB on the valuation.

In our opinion, the assumptions made in this valuation are appropriate, the methods employed are in accordance with sound actuarial principles and the amount of $18,410 million as at December 31, 2004 makes reasonable provision for future payments for loss of earnings, labour market re-entry, short and long term disability, health care, survivor benefits, retirement income benefits and claims administration costs under Schedule 1 on account of accidents that occurred on or before December 31, 2004.

We hereby confirm, with respect to this valuation, that:

1. the data on which the valuation is based is sufficient and reliable for the purpose of the valuation;
2. the assumptions, in aggregate, are appropriate for the purposes of the valuation;
3. the methods employed in the valuation are appropriate for the purposes of the valuation;
4. this report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

David A. Short, F.S.A., F.C.I.A. Jill M. Wagman, F.S.A., F.C.I.A.
Actuaries with the firm of Eckler Partners Ltd.
March 11, 2005

Ten-year History

Ten-year summary of the Statements of Operations and Unfunded Liability

($ millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
REVENUES										
Premiums for current year	$2,124	$2,068	$1,997	$1,866	$1,760	$1,707	$1,722	$1,886	$1,917	$1,953
Investments	470	456	246	765	1,128	1,042	982	839	699	578
Other income	49									
	2,643	**2,524**	**2,243**	**2,631**	**2,888**	**2,749**	**2,704**	**2,725**	**2,616**	**2,531**
EXPENSES										
Benefit costs paid	3,101	2,996	2,883	2,755	2,558	2,195	2,255	2,244	2,368	2,383
Net increase/(decrease) in benefit liabilities	950	495	692	270	125	135	(85)	(1,740)	50	(150)
Loss of Retirement Income Fund	60	56	52	50	46	44	44	43	40	36
	4,111	**3,547**	**3,627**	**3,075**	**2,729**	**2,374**	**2,214**	**547**	**2,458**	**2,269**
Administrative and other expenses	204	210	240	236	247	387	336	341	321	339
Legislated obligations	188	172	160	162	156	145	125	117	98	113
	4,503	**3,929**	**4,027**	**3,473**	**3,132**	**2,906**	**2,675**	**1,005**	**2,877**	**2,721**
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES FROM CURRENT OPERATIONS	(1,860)	(1,405)	(1,784)	(842)	(244)	(157)	29	1,720	(261)	(190)
Premiums for unfunded liability	1,017	861	902	860	971	1,061	930	683	693	700
Transfer of Electrical Utilities from Schedule 2			(52)							
Excess (deficiency) of revenues over expenses	**(843)**	**(544)**	**(934)**	**18**	**727**	**904**	**959**	**2,403**	**432**	**510**
Unfunded liability, beginning of year	(7,135)	(6,591)	(5,657)	(5,675)	(6,402)	(7,098)	(8,057)	(10,460)	(10,892)	(11,402)
Effect of change in accounting policy	1,088					(208)				
Other comprehensive income	470									
Excess of expenses over revenues	(843)	(544)	(934)	18	727	904	959	2,403	432	510
Unfunded liability, end of year	$(6,420)	$(7,135)	$(6,591)	$(5,657)	$(5,675)	$(6,402)	$(7,098)	$(8,057)	$(10,460)	$(10,892)

OTHER STATISTICS	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Schedule 1										
Average premium rate (per $100 of payroll)	$2.19	$2.19	$2.13	$2.13	$2.29	$2.42	$2.59	$2.85	$3.00	$3.00
Total insured payroll ($ millions)	$130,398	$125,638	$120,252	$113,727	$109,237	$101,654	$96,205	$91,497	$86,844	$86,065
Schedule 1 & 2										
Number of new claims by registration year	352,474	354,926	361,179	371,067	379,079	364,069	342,687	341,178	345,606	371,837
Number of WSIB employees as of December 31	4,411	4,276	4,390	4,513	4,466	4,260	4,057	3,966	4,373	4,597

Ten-year History

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	4,111	**3,547**	**3,627**	**3,075**	**2,729**	**2,374**	**2,214**	**547**	**2,458**	**2,269**
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	4,503	**3,929**	**4,027**	**3,473**	**3,132**	**2,906**	**2,675**	**1,005**	**2,877**	**2,721**
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES FROM CURRENT OPERATIONS	(1,860)	(1,405)	(1,784)	(842)	(244)	(157)	29	1,720	(261)	(190)
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Unfunded liability, beginning of year	(7,135)	(6,591)	(5,657)	(5,675)	(6,402)	(7,098)	(8,057)	(10,460)	(10,892)	(11,402)
Effect of change in accounting policy	1,088					(208)				
Other comprehensive income	470									
Excess of expenses over revenues	(843)	(544)	(934)	18	727	904	959	2,403	432	510
Unfunded liability, end of year	$(6,420)	$(7,135)	$(6,591)	$(5,657)	$(5,675)	$(6,402)	$(7,098)	$(8,057)	$(10,460)	$(10,892)

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Schedule 1 & 2										
Number of new claims by registration year	352,474	354,926	361,179	371,067	379,079	364,069	342,687	341,178	345,606	371,837
Number of WSIB employees as of December 31	4,411	4,276	4,390	4,513	4,466	4,260	4,057	3,966	4,373	4,597

Public Sector Salary Disclosure - 2004

WSIB employees earning more than $100,000.00 per annum

Name	Position	Earnings	Taxable Benefits	Total Earnings
Abass,Shazam T.	Architect	108,185.66	217.62	108,403.28
Abrams,Brenda E.	General Counsel	169,941.13	4,409.04	174,350.17
Achar,Ramach Andra	Medical Consultant	125,042.33	-	125,042.33
Adamo,Valerie	VP, Information Services and CIO	205,789.96	348.36	206,138.32
Ah-Yoong,Georges	Director, Financial Planning and Analysis	117,215.40	444.58	117,659.98
Allingham,Richard	Director, Research and Evaluation	123,165.85	255.62	123,421.47
Angove,Linda	VP Corporate Strategy, & Corporate Secretary	187,497.31	4,433.12	191,930.43
Argue,Robert	Director, Applications Development	117,875.47	245.22	118,120.69
Aronshtam,Masha	Medical Consultant	122,247.87	278.14	122,526.01
Arvisais,J.	Medical Consultant	141,757.25	278.14	142,035.39
Bain,Donna	Executive Director, Health Services Management	138,205.40	2,754.34	140,959.74
Barone,Lynne	Dir., Organizational Effectiveness	102,063.15	211.62	102,274.77
Belanger,Adele Marie	Legal Counsel	114,704.41	237.94	114,942.35
Bell,Susan	Director, Schedule II Sector	117,420.49	244.18	117,664.67
Bennetto,John	Director, Services Sector	113,109.13	234.66	113,343.79
Bercovitch,Eve	Legal Counsel	117,895.31	240.02	118,135.33
Bishop,M.	Medical Consultant	137,687.42	278.14	137,965.56
Bradbury,Laura	Commissioner, Fair Practices	136,863.50	284.34	137,147.84
Bridge,Margaret	Associate Medical Director	136,390.34	279.54	136,669.88
Brown,Elizabeth	Legal Counsel	120,184.97	249.70	120,434.67
Burton,Neil	Director, Client Server Development	124,561.72	258.98	124,820.70
Campbell,Clark	Director, Municipal Education & Electrical Utilities	114,250.25	237.46	114,487.71
Cantlie,George	Medical Consultant	137,687.42	278.14	137,965.56
Chain,Marybelle	Medical Consultant	137,687.42	278.14	137,965.56
Charlton,Heidi	Director, Policy & Research	150,747.31	282.02	151,029.33
Chen,Kathy	Senior Specialist, Database	140,720.08	183.56	140,903.64
Chin,Charmaine	Director, Central Claims Processing	108,848.37	226.10	109,074.47
Chiu,Margaret	Mgr, IS/IT Projects	112,015.40	228.02	112,243.42
Cleary,Floreen	Director, Pre-1990 Claims	119,062.02	247.62	119,309.64
Coulson,Greg	HR Business Partner	114,495.40	228.90	114,724.30
David,Lawrence	Medical Consultant	137,287.42	278.14	137,565.56
De Domenico,Ivan J.	Medical Consultant	136,401.72	278.14	136,679.86
De Lair,Hal	Director, Ontario Occupational Health Services Network	109,705.75	227.70	109,933.45
Deslauriers,Jean	Medical Consultant	137,687.42	278.14	137,965.56
Difranco,Joe	Sr. Specialist, Applications	107,632.53	181.48	107,814.01
Djan,P. A.	Medical Consultant	103,679.49	-	103,679.49
Doppler, Andrew	HR Business Partner	108,257.04	224.82	108,481.86
Dorcas,Dow	Medical Consultant	147,334.72	-	147,334.72
Dudley,John	Associate Director/Physician	145,512.60	298.16	145,810.76
Fahmy,Nadia	Director, Administrative Services	127,501.92	264.66	127,766.58
Field,Paul	Director, Small Business	116,024.33	232.26	116,256.59
Fortin,Claire Marie	Director, Medical Occupational Disease Policy	113,442.57	235.46	113,678.03
Galway,Kathleen	Director, Business Operations Audit	105,719.63	219.62	105,939.25
Gao,David G.	Specialist, Applications	119,207.98	172.12	119,380.10
Garg, S.K.	Medical Consultant	137,687.42	278.14	137,965.56
Geary,Judy	GM Central Claims Processing & Special Claim Services	189,737.75	4,423.44	194,161.19
Germansky,Martin	Medical Consultant	137,687.42	278.14	137,965.56
Gibbs,Henry	VP, Investments	282,133.80	4,402.70	286,536.50
Gilkinson,Paul	Director, Appeals	114,426.12	229.14	114,655.26
Hall,Nick M.	Director, Automotive Sector	116,708.78	158.33	116,867.11
Hann,Karen	Director, Health Services Management	102,843.98	209.86	103,053.84
Harding,Robert	Director, Transportation Sector	100,498.27	209.32	100,707.59
Hawkins,Adam J.	Director, Realty Investments	152,339.86	252.10	152,591.96
Heckadon,Robert	Associate Director/Physician	168,979.58	-	168,979.58
Herlick,Vivi	Project Consultant, Fair Practices	108,513.59	-	108,513.59
Herrington,Michael	Director, Small Business	111,736.83	232.26	111,969.09
Hickman,Robert	Medical Consultant	137,687.42	278.14	137,965.56
Higgins,Jodi	Director, Small Business	122,105.61	253.46	122,359.07
Hinnchs,Robert	VP & Chief Actuary	270,489.83	4,550.38	275,040.21
Horseman,Brock C.	Chief Operations Officer	314,356.87	4,630.20	318,987.07
Houston,Roberta	Legal Counsel	104,947.73	218.50	105,166.23
Hussain,Andrew	Director, Technology Services	124,645.71	248.98	124,894.69
Hutcheon,Jill	President & CEO	218,445.59	4,093.44	222,539.03
Jackson,Steven	VP, Human Resources	159,472.83	294.88	159,767.71
Jakobson,Susan	HR Business Partner	102,564.07	213.38	102,777.45
Johnston,Michael Bruce	Director Prosecutions	114,894.49	444.18	115,338.67
Jolley,Linda	VP, Policy and Research	103,270.30	4,262.92	107,533.22
Jones,Derek	Medical Consultant	135,631.55	278.14	135,909.69
Kanalec,Andrew D.	Medical Consultant	137,687.42	278.14	137,965.56
Kelly,J. Brian	Associate Director/Physician	150,955.90	309.52	151,265.42
Kelly,Linda	Director, Specialist & Advisory Services	114,287.05	228.18	114,515.23
Kempster,Geoff	Director, Manufacturing Sector	116,336.01	241.38	116,577.39
Kerr,Fergus	Director, Mining Sector	117,676.95	244.58	117,921.53
Khan,Amer	Senior Specialist, Technology Svcs.	100,225.90	144.45	100,370.35
Korbee,Leon	VP, Communications	164,703.41	295.60	164,999.01
Kosmyna,Roman	Board Auditor	197,467.97	2,791.80	200,259.77
Kwong,Paul	Chief Architect	135,387.81	252.26	135,640.07
Lamanna,Pat	Director, Small Business	124,664.55	257.54	124,922.09
Lamoureux,Linda	VP, Regulatory Services Divison	122,279.08	-	122,279.08
Lancaster,Geoff	Project Director, Strategic Procurement	115,084.79	-	115,084.79
Lau,Robert Hing	Director, Financial Services	113,503.12	235.78	113,738.90
Lavoie,Robbin Edmond Joseph	Director, Forestry Paper & Pulp Sector	104,326.11	215.86	104,541.97
Lee,Tommy	Senior Specialist, Technology Services	104,358.19	177.08	104,535.27
Leshchyshyn,Dana	Director, Construction Sector	125,178.47	260.02	125,438.49
Levitsky,Marianne	Director, Best Practices	119,181.55	236.26	119,417.81
Lewis,Owen	Director, Applications Development	118,372.62	245.70	118,618.32
Londry,David	Director, Client Server Development	124,359.23	251.26	124,610.49
Lovelock,Ronald	Director, Prevention Services	114,072.59	237.22	114,309.81
Ma,Betty	Actuary	101,420.37	201.78	101,622.15
Maehle,Waldemar	Medical Consultant	140,257.25	278.14	140,535.39
Mallette,Claire	Dir., Professional Practice/ Chief Nursing Officer	106,540.45	220.82	106,761.27
Mann,Kuldip	Manager, Application Data Services	104,900.91	174.34	105,075.25
Mastrilli,Arcangelo	Medical Consultant	137,687.42	278.14	137,965.56
McAdam,Roberta	Director, Revenue Audit Services	116,730.61	242.42	116,973.03
McCarthy,Jane	VP Health Services	203,657.76	4,437.44	208,095.20
McCleave,Dave	Director, Small Business	115,981.67	236.42	116,218.09
McIntosh-Janis,Faye	Director, Occupational Disease and Survivor Benefits	112,425.61	439.38	112,864.99
McKenna-Boot,Patricia	Associate Director/Physician	142,145.36	290.96	142,436.32
McLean,Katherine	Customer Relationship Manager	112,780.07	221.22	113,001.29
McMurtrie,Robert	Treasurer	118,704.98	247.06	118,952.04
Meenan,John J.	Medical Consultant	137,687.42	278.14	137,965.56
Mikkelsen,Allan Charles	HR Business Partner	111,014.13	230.58	111,244.71
Morrison,Richard	Director, Small Business	119,267.40	247.54	119,514.94
Morsillo,Joe	Manager, Revenue Policy	119,564.91	202.44	119,767.35
Mould,Roy	Chief Prevention & Corporate Strategy Officer	273,235.48	4,577.08	277,812.56
Ng,Malen	Chief Financial Officer	259,867.13	506.28	260,373.41
Noble,Elaine	Legal Counsel	100,176.01	207.88	100,383.89
Painvin,Catherine	Director, Clinical Resources	160,390.91	326.08	160,716.99
Peter,Alice	Director, Research Secretariat	108,625.05	226.10	108,851.15
Petrie,Gordon	Director, Collection Services	108,386.76	225.14	108,611.90
Potter,Douglas	Senior Project Manager	125,050.69	236.83	125,287.52
Prichett,Barry	Medical Consultant	137,687.42	278.14	137,965.56
Pushka,Wayne	Director, Security & Investigations	116,435.78	448.02	116,883.80
Ramsey,Willard	Actuary, Pricing & Valuation	145,529.36	302.40	145,831.76
Rivers,William C.	Senior Investigator	105,418.17	160.72	105,578.89
Rodenhurst,John D.	Director, Business Innovations Services	112,709.32	217.78	112,927.10
Rohatyn,Taras	Director, Small Business	111,628.51	231.54	111,860.05
Schofield,Michel	Physician Coordinator, Specialty Clinic	152,018.68	311.44	152,330.12
Scopa,Fernand	Director, Health Care Sector	113,631.78	236.18	113,867.96
Scullion,Catherine	Medical Consultant	137,687.42	278.14	137,965.56
Setton,Allan	Chief Architect	159,555.13	312.00	159,867.13
Sgro,Joseph	Director, Quality Improvement	136,563.30	278.66	136,841.96
Shapiro,Gary	Medical Consultant	137,687.42	278.14	137,965.56
Share,Frances	Director, Return to Work Project	108,428.20	225.38	108,653.58
Shewell,Kathryn	Chief Architect	126,722.40	239.70	126,962.10
Slinger,John	Chief Corporate Services Officer	184,419.33	4,413.36	188,832.69
Stasila,Dave	Director, Investments	186,614.38	325.68	186,940.06
Tam,Ed	Director, I.S. Audit	105,048.98	218.18	105,267.16
Taraschuk,thor	Medical Consultant	137,687.42	278.14	137,965.56
Thomas,Roy E.	Executive Director, Communications	123,425.08	251.70	123,676.78
Thompson,Wayne	Director, Provider Relations	111,597.66	232.10	111,829.76
Thomson,Garry	GM Industry Sector	187,513.31	4,419.20	191,932.51
Timlin,Robert J.	Project Director	113,320.91	235.78	113,556.69
Todorovic,Slavica	Director, Benefits Policy	123,694.02	257.06	123,951.08
Tomarken,James	Medical Consultant	100,659.62	178.74	100,838.36
Tourchin,Robert W.	Director, Primary Metal Sector	112,002.94	232.74	112,235.68
Tucker,Cheryl	Director, Community Relations	103,938.36	213.54	104,151.90
Vala Webb,Gordon	Director, Knowledge Services	120,797.85	251.06	121,048.91
Walker,John	Medical Consultant	134,089.65	278.14	134,367.79
Wallace,Tim	System Architect	114,777.76	231.14	115,008.90
Wang,Kennedy	Director, Schedule II Sector	116,410.28	233.30	116,643.58
Ward,George	Director, Food Sector	101,739.01	210.61	101,949.62
Weatherbee,Wayne	GM Small Business Services	190,660.25	4,424.40	195,084.65
Welton,Ian	Director, Revenue Policy	122,215.36	253.46	122,468.82
Wentzell,Scott	Medical Consultant	110,664.69	221.98	110,886.67
Whitney,David	Director, Small Business	113,074.00	234.82	113,308.82
Wiskin,John	Director, Schedule II Sector	115,460.25	240.26	115,700.51
Wright,Glen	CEO & Chair of the Board (former)	191,568.75	1,199.03	192,767.78

Note: The amounts shown as earnings in this disclosure statement may not represent the individual's actual annual rate of salary. The earnings required to be made public under the *Public Sector Salary Disclosure Act, 1996* reflect the amount reported to Revenue Canada on the employer's T4 slip for an employee. The earnings shown in this statement may therefore include non-recurring payments in 2004 for retroactive pay from a reclassification or a grievance settlement or a pay out upon retirement. The earnings shown may also be less than the individual's annual rate of salary if the individual worked only part of the year.

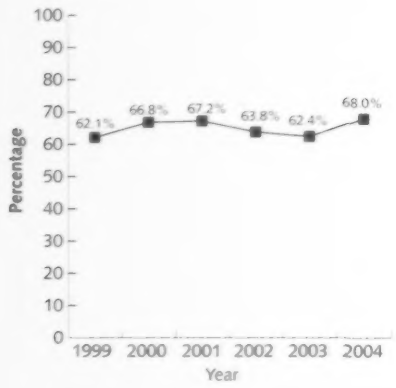
Outcomes and Measures

There have been many new products and services, improved ways of doing business and an increased focus on service for both workers and employers at the WSIB. A corporate outcomes, measures and targets initiative has helped the WSIB to monitor its progress and stay focused on:

- Making Ontario workplaces among the safest in the world
- Providing quality service that meets the needs of workers and employers
- Ensuring the financial security of the workplace safety and insurance system

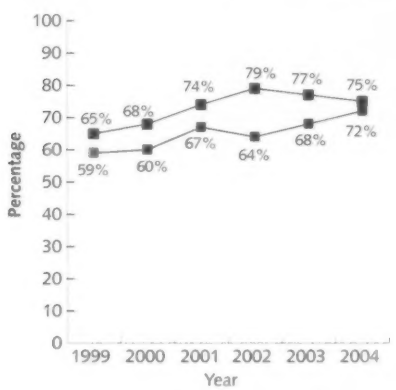
The charts below measure the WSIB's progress against each of these imperatives.

Measure: Funding ratio



Ratio of assets to liabilities expressed as a percentage

Measure: Perceived overall satisfaction with WSIB experience*

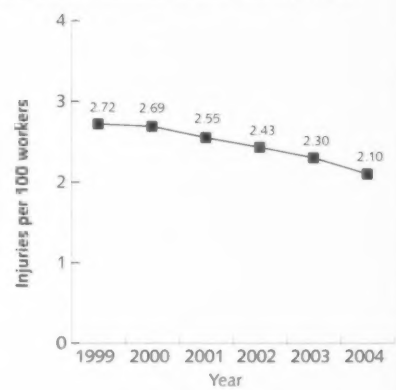


Employers' perceived satisfaction with WSIB experience

Injured workers' perceived satisfaction with WSIB experience

* Ipsos Reid survey data

Measure: Schedules 1 and 2, WSIB/MOL Harmonized Lost-time injury rate



Lost-time injuries per 100 workers for all Ontario workplaces covered under *The Workplace Safety and Insurance Act*.

The Ministry of Labour and the WSIB have updated the method of reporting injury rates to more accurately reflect the lost-time injury rate in Ontario workplaces.

Focus on youth

The WSIB would like to acknowledge the assistance of the following organizations for their help with the photography shown in this publication: Don Dixon Film + Photography; Rob Ellis; Falconbridge (SMMBU) Limited; George Brown College; the Kells family; Lincoln M. Alexander Secondary School; Longo Bros. Fruit Markets Inc.; Manitouwadge High School; Pat Coursey; Rose-A-Lea Gardens Ltd.; SafeAbility; Snow Valley Resorts Ltd.; and; Toronto Hydro.

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CSPAAT Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

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